

NEWS: EUROPE

Hungarian coalition loses its backbone

With the resignation of Mr Laszlo Bekesi as finance minister at the weekend, the Hungarian government is losing the only senior Socialist minister who clearly understood the gravity of the country's economic problems and was prepared to tackle them head-on.

His resignation, which came after a battle with party hardliners over privatisation, has severely shaken the high hopes that many in the business community had for the Socialist-Liberal government, which replaced an unpopular conservative administration last summer. It raises the spectre of a government of drift likely to bow to populist pressures for less painful reforms rather than carry through the tough stabilisation measures proposed by Mr Bekesi and accepted as the coalition's official economic policy.

Even before Mr Bekesi's resignation, many doubted the government's commitment to its ambitious economic programme. It had aimed to complete the country's transition to a market economy by the end of its term in 1998 by accelerating privatisation, radically overhauling the country's bloated welfare system, streamlining public adminis-

Finance minister Laszlo Bekesi's resignation raises spectre of drifting government, says Virginia Marsh

The Hungarian central bank said yesterday it would increase reserve requirements for commercial banks from tomorrow as part of a number of recent measures to rein in liquidity, Reuter reports from Budapest. The reserve requirement will rise to 14 per cent from 12 per cent.

Economists, however, said more steps were needed if the country was to improve its fiscal and current account balances and keep inflation in check.

In recent weeks the National Bank of Hungary has eliminated its currency swap

and one-month repurchase facilities and increased the base lending rate by three points to 28 per cent.

In the opinion of Mr Gabor Papanek, general manager of the independent economic think-tank GKI Gazdasagkutato Rt, the bank's moves will help ease growing inflationary pressures. He expects them to reduce domestic spending and demand for imports, helping to lower the shortfall on the current account of the balance of payments, which reached \$4bn last year.

They could also boost savings and make

domestic financing of the budget deficit a little easier, he said.

Consumer prices rose about 20 per cent last year and will increase by some 25-26 per cent this year thanks to sharp increases in utility prices.

Mr Papanek said that without fiscal changes and moves to help exporters, the central bank's efforts would be wasted. "Smart little moves like the ones the national bank has taken can be pretty effective. But reducing the money supply is just one of many things this country needs," he said.

Mexico-type collapse."

This year alone the government is budgeting on more than \$1.2bn in privatisation revenues to pay its debt and on a similar amount of direct foreign investment to offset the current account deficit which rocketed to a record of nearly \$4bn in 1994.

But these targets seem too ambitious. The resignation of Mr Bekesi has dismayed foreign investors, already rocked by the government's last minute cancellation of a high profile privatisation earlier this

tration and finances and adopting a new fiscal system.

Instead, the first six months of an administration which promised professional government have seen constant bickering, few important measures, a slowdown in privatisation and a string of dismissals or resignations including the heads of privatisation and the central bank.

Laws such as bills on privatisation and the media promised for the autumn have been delayed. The budget for 1995 is widely considered as unrealistic

with the central bank already saying further cuts in spending are necessary to meet the target deficit of 5.5 per cent of gross domestic product. The few reforms made, such as cuts in government expenditure and rises in value added tax and energy prices, were only accepted by hardliners in the cabinet led by Mr Gyula Horn, Socialist prime minister, after hard lobbying from Mr Bekesi.

Economists, including Mr Bekesi, fear that by failing to tackle structural reform and high government spending

which has contributed to a \$28bn gross foreign debt, the largest per capita in the former East bloc, Hungary will lose the trust of foreign investors and the chance for sustainable growth and stability. "Just think about Mexico," Mr Bekesi warned in an interview yesterday. "That country had better economic indicators than Hungary, the backing of international financial institutions and the US. But private investors have turned away and led that country to bankruptcy. I hope we can avoid a

Mexico-type collapse."

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Rebel Serbs offered broad degree of autonomy in two areas of country

New plan to settle Croatia conflict

By Paul Adams in Belgrade

International mediators yesterday presented a new peace plan to the Croatian government and breakaway Serb leaders in Croatia in an attempt to end a conflict which tore the former Yugoslav republic apart in 1991 and has simmered ever since.

Details of the so-called Z-4, drafted by US, Russian, European and United Nations mediators, have yet to be made public. However, it is thought the plan, revised since its inception last year, offers rebel Serbs a broad measure of autonomy in two parts of the

country where they form a majority.

Serbs living in other parts of the self-declared Republic of Serbian Krajina would be expected to reintegrate into Croatia. The government in Zagreb would be forced to observe strict human rights laws to protect Serb minorities.

Croatia's President Franjo Tudjman has already indicated the new plan may be acceptable. He told a meeting of businessmen at the weekend: "Naturally, we will be delighted to accept any proposal starting off from the assumption that Croatia's territorial integrity is indisputable."

However, fundamental differences remain. The Croatian government is reluctant to cede the high level of autonomy to the Serbs whom they blame for the 1991 war which left about 10,000 people dead or missing and created more than a million refugees.

The Serbs are equally determined to cling to their hard-won independence. Aided by the Serbian president, Mr Slobodan Milosevic, they captured a third of Croatian territory in 1991 following Zagreb's decision to secede from the former Yugoslav federation.

Internationally-sponsored negotiations resulted in a

ceasefire last March and an agreement in December covering economic issues. But a political settlement remains elusive.

The key, as always, may lie with Mr Milosevic. Speculation has grown in recent months that he may finally recognise Croatia, forcing the Krajina Serbs to reach an accommodation.

The Croatian foreign minister, Mr Mate Granic, is expected in Belgrade in mid-February, at which time Yugoslav and Croatian may exchange ambassadors.

By unveiling their plan, the Z-4's sponsors will be hoping to

persuade Mr Tudjman to reconsider his decision not to renew the UN mandate when it expires at the end of March. Observers fear that peacekeeping will be the last casualty if the UN is forced to withdraw from positions it has occupied for the past three years.

Croatian Serb forces remain heavily involved in fighting in the north-western Bosnian enclave of Bihać. UN officials in Sarajevo said yesterday that 900 artillery and mortar explosions had been recorded near the town of Velika Kladusa in the previous 24 hours. Most appeared to come from Croatian Serb positions.

European team says rights violated in Chechnya

By Chrystie Freeland in Moscow

A European fact-finding mission yesterday reported human rights violations in Russia's war with the breakaway Chechen republic, but could not confirm allegations that Russians are systematically torturing Chechen prisoners of war.

Fighting continued yesterday in Grozny, the Chechen capital, and in other parts of the republic, but there were no reports of Chechen attacks on other Russian cities.

Over the weekend Chechen leaders, who have been accused by Moscow of having ties with mafia groups, warned that reprisal attacks on Russian cities could begin soon, but Russian officials have dismissed the threat.

Mr Istvan Gyarmati, head of the Organisation for Security and Co-operation in Europe delegation which visited Chechnya over the weekend, said that "the use of the armed forces on such a scale and the methods they used goes beyond our principles".

Another member of the delegation said that a senior Russian general told the OSCE team that Chechen forces were well armed and trained and that, despite the Kremlin's declaration of victory, the war was by no means over.

The OSCE team also warned that the conflict had created a "human catastrophe" by displacing an estimated 150,000 refugees, most of them living in insanitary conditions without access to running water or medicines.

The war in Chechnya, now in its seventh week, continues to undermine public confidence both in the Russian government and in the republic.

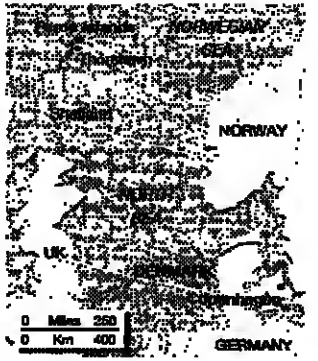
In an opinion poll published this week 72 per cent of Russians said they did not trust President Boris Yeltsin, up from 66 per cent earlier in the month.

The trouble, which has been falling steadily since the beginning of the conflict, reached another historic low yesterday of 4,634 against the dollar.



The Faroe Islands capital, Thorshavn: its parliament wants judicial inquiry into the dispute

Robert Harding



Danske Bank to the Faroe Islands

It added, with more than a touch of irony, that the bank "no doubt realised sooner than the Faroe government that anything could happen, but there is nothing unethical in being the first to see a risk."

The affair has worsened already troubled relations between the two governments. The possibility of oil and natural gas being found on the Faroe continental shelf has raised the question of what share in any profits should go to Denmark. Discoveries could make the islands financially independent, but the Faroes need Danish help in negotiations with Britain over where the sector boundary should go between the Faroe and British economic zones, an issue which may end up in the international Court at The Hague.

Faroe bitterness over the bank affair has been stoked by the economic crisis which hit the islands in 1991-92. Unemployment on the islands, which have a population of 43,000, is around 25 per cent, and would be higher but for the fact that

about 10 per cent of the population has emigrated.

Gross domestic product has fallen by at least a quarter since 1988, and the islands are deeply indebted. The ratio of government debt to GDP was estimated by a Danish economic commission last year to be about 175 per cent.

The crisis was caused by a wild fiscal policy expansion in the 1980s, including massive subsidies to the islands' only export industry, fisheries. However, the industry collapsed in the early 1990s, because of overfishing, movement of fish stocks and falling prices.

Last year, Denmark subsidised the islands to the tune of DKK1bn, equal to about 20 per cent of GDP, and also provided loans of about DKK3bn to avert the government's bankruptcy.

Faroe-Danish relations rocked by bank row

By Hilary Barnes in Copenhagen

Denmark's relations with its largely self-governing territory the Faroe Islands have been badly shaken by a banking crisis which has cost the island government about DKK1bn (\$157m).

Denmark, which retains control of the North Atlantic islands' foreign, defence and monetary policy, has refused to set up a judicial inquiry into how Den Danske Bank, the largest Danish bank, relinquished its majority ownership of Foroya Banken, the islands' biggest bank, in March 1993 shortly before the latter was forced to turn to the government to cover mounting debts.

The Faroe Islands' parliament has unanimously called for a judicial inquiry, which would have strong powers to demand evidence. But Mr Poul Nyrup Rasmussen, the Danish prime minister, says that would take too long and cost too much. He has offered, instead, an inquiry by a panel of experts.

However, Mr Bjorn A. Heygum, chairman of the Faroeese parliament's legal committee, responded that "the Danish government was involved in the bank affair. We do not believe that an inquiry on

premises set by the government will be objective."

Den Danske had injected DKK22m in new capital into Foroya Banken, but then swapped shares in it for shares in the other main Faroeese bank, Sjóvinnubankin, which was controlled by the islands' government. The move was part of a government plan to bring all the banks under central control in order to simplify handling their debt problems, which had been caused largely by the islands' economic crisis.

By late 1993, Foroya Banken's losses had increased by much more than expected and new capital was required - now a responsibility of the Faroeese government. According to last year's Danish governmental economic advisory commission, the affair has cost the islands' administration about DKK1bn.

"There is a widespread view on the Faroe Islands," it said, "that Den Danske Bank, helped and assisted by the Danish Finance Industry Supervisory Authority, misled the Faroeese government with a view to shifting the loss from Den

FRANCE

THE FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Niederlagengasse 3, 40118 Frankfurt am Main, Germany. Telephone +49 69 150 830, Fax +49 69 150 481, Telex 416193. Represented in Frankfurt by J. Walter Brand, Wilhelm J. Bräuer, Colin A. Kennard as Geschäftsführer and in London by David C.M. Bell, Chairman, and Alan C. Miller, Deputy Chairman. Shareholders of The Financial Times (Europe) GmbH are The Financial Times (Europe) Ltd, London and F.T. (Germany Advertising) Ltd, London. Shareholder of the above mentioned two companies is The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.

GERMANY
Responsible for Advertising: Colin A. Kennard. Printer: DVM Druck-Vertrieb und Marketing GmbH, Adminal-Rosenstraße 34, 61263 Neu-Isenburg (owned by Hünneke International). ISSN 0174-7233. Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL. SW2ED2N.

Responsible Publisher: Hugh Carnegie 468 618 6088. Printer: AB Kvalleddingen Expressen, PO Box 6007, S-530 06, Jönköping.

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Alain Juppé: 'the Chechnya crisis is a step backwards'

By David Buchanan in Paris

France should galvanise Europe into becoming 'a major actor on the international scene' and into forging a new security pact with the US and a partnership with a 'law-abiding' Russia, Mr Alain Juppé, the French foreign minister, said last night.

In a wide-ranging speech, Mr Juppé bluntly developed France's ambitions for the European Union of which Paris currently holds the presidency.

"Stripped of any desire for conquest, at peace with itself, Europe must, under our impulsion, affirm itself as a major actor on the international scene, because more than others it [Europe] has the desire to conciliate order and respect of national identities."

The new EU should be built on "a new contract" between France and Germany, evidently along the lines of the new version of the 1963 Franco-German Elysée treaty proposed by Prime Minister Edouard Balladur last November, and based on monetary union and new efforts at cultural and political rapprochement between Paris and Bonn.

But this reinforced relationship would in no way exclude the UK. "For France as for Germany there is no question of isolating or rebuffing Britain," Mr Juppé said.

Indeed the French minister said he hoped next year's EU constitutional conference would "synthesise three great visions... that of Germany, determinedly federalist, which

polarises its energies on Europe, particularly its internal aspects; that of France which carries its strong state tradition with its desire to affirm the European identity in the world and to share with Spain and Italy a strong Mediterranean dimension; and that of Britain which brings its own world vision and its wish to preserve the best in national identities."

Far from slighting the relationship with the US, Mr Juppé called the Franco-American relationship "the most visible factor of dynamism in Nato. If the EU can give itself a proper common defence policy at its 1996 conference, it should go on to negotiate 'a new transatlantic charter' with the US.

But Mr Juppé was even more forthright on policy to the east.

"European defence cannot be constructed outside the Atlantic alliance," he said, adding that therefore "the extension of the Union... will sooner or later entail expansion of Nato".

Russia should not regard this as a threat, but Moscow had to behave better than in recent weeks in Chechnya. "The Chechnya crisis is a step backwards that cannot be purely and simply ignored. Russia has to show us - as we hope - this error with tragic consequences for the civil population is not a turning point backwards."

"Russia knows the rules of the European game. She knows what these permit and what they forbid, even when it is a question, which no one contests her right, to defend her national sovereignty."

EUROPEAN NEWS DIGEST

Labour groups in Madrid plea

Spain's two main trade unions joined forces yesterday with the employers' confederation and the association representing small businesses to call on parliamentary parties to resolve "a panorama of political uncertainty that is becoming untenable". They said in a statement that "incipient domestic recovery was endangered by the 'perception of political instability' that is reflected in the financial markets, at home and abroad and in the media". The document stressed the constitution - laid down two courses of action to end a political deadlock - a motion of confidence or the dissolution of parliament - but stopped short of favouring one. The Prime Minister Felipe Gonzalez is wary of the first option as his Catalan nationalist allies are unwilling to back the government; he rejects the second because his Socialist party is likely to lose the ensuing elections. The conservative opposition is, meanwhile, unwilling to table a censure motion as it lacks the parliamentary support to win it. *Tom Burns, Madrid*

Banker wary on single currency



Mr Wim Duisenberg (left), the head of the Dutch central bank, yesterday became the third top European banker in three months to argue that a single European currency should exist alongside national currencies for a long period. Mr Duisenberg said it would be possible to introduce a European currency which would circulate alongside national currencies and replace them, but that would take at least a generation. He seemed to echo a line taken by Mr Hans Tietmeyer, the president of the Bundesbank, Mr Alexandre Lamfalussy, the president of the European Monetary Institute, the embryo European central bank, and by the Bank of France. Mr Duisenberg also said there was "no chance" a majority of EU countries would be ready to create a single currency in 1997, but they would doubtless be ready by the second deadline of 1998. *AFP, Paris*

Poland, Russia write off debt

Poland and Russia yesterday agreed to write off mutual debts accumulated between the early 1980s and 1992. The deal calls 12bn in debts in transferable roubles, owed within Comecon, the former Soviet trading bloc, where the Russians owed more than the Poles, and \$2.5bn in hard currency where the Poles owed more than the Russians. Poland should see the value of its external debt - \$8bn at the end of October - cut by \$2bn under the deal signed in Warsaw. The signing comes ahead of a long-delayed visit to Warsaw next month by Mr Victor Chernomyrdin, the Russian prime minister, aimed at concluding a \$2bn gas pipeline project which carried gas from the Jamal peninsula in Siberia across Poland to Germany. Paris Club governments cut Polish debts by half in 1991, and western banks followed last autumn with a 49 per cent reduction. *Christopher Bobinski, Warsaw*

French cable TV networks sold

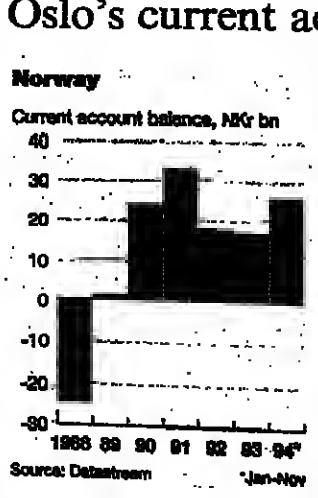
The Caisse des Dépôts et Consignations, the French state investment institution, yesterday announced it had completed the sale of its cable television networks to Lyonnaise des Eaux, the water and utilities group, and France Télécom. The deal, which is worth a total of about FF600m (\$183.8m), means Lyonnaise des Eaux now represents just over 30 per cent of the French cable market, slightly ahead of Générale des Eaux, its water and utilities rival. France Télécom consolidates its position as the third largest player, with about 23 per cent of France's cable subscribers. Lyonnaise des Eaux paid FF450m for its share of the cable activities of the Caisse des Dépôts. Like other French cable operators, it has yet to make a profit from the sector, but regards cable as a central element in its strategy of diversifying into communications and telecoms. The company is likely to push for government approval to use telecoms services on its cable network. Mr Cyrille de Poligny, chairman of Lyonnaise Communications, said the capacity of its cable networks would be expanded through the introduction of digital compression systems in 1996. He said this would allow an increase from 35 to about 400 channels. *John Riddling, Paris*

Strikes hit German engineering

West German engineering companies were hit by a series of warning strikes yesterday by employees seeking a 6 per cent pay rise. Employers have not reacted to the pay claim by the IG Metall trade union with a formal offer, which has angered union leaders. They said the employers had wasted the past four weeks of the statutory cooling off period. Further talks have been set for the second week of February. Mr Dieter Kirchmeier, head of Gesamtmetall, the engineering employers' federation, has said this year's pay award should be similar to last year's 3 per cent. This would barely match inflation and Mr Walter Riestler, IG Metall's deputy head, said the union would not accept it. Plants in Lower Saxony, Hesse, Baden-Württemberg and the Rhineland Palatinate were among those affected. The union claimed that nearly 30,000 workers took part in rallies and stoppages, some lasting a few hours and others the whole day. Porsche, the Stuttgart-based luxury sports car maker, was among companies hit by the strike. *Andrew Fisher, Frankfurt*

ECONOMIC WATCH

Oslo's current account boosted



Norway's current account surplus increased to NKR26.19bn (\$3.9bn) during January-November last year from NKR18.47bn in 1993, supported by a 31 per cent net reduction in the outward flow of interest and dividend payments, the Central Bureau of Statistics said. Net interest and dividend payments in last year's 11-month period fell to NKR19.06bn from NKR27.70bn in the comparative period in 1993. The bureau said there was a reduction of NKR5.5bn in the outflow of dividend payments while there was an increase of NKR2.6bn in services dipped by 2.3 per cent last year to NKR45.37bn, representing a reduction of NKR989m from 1993. This stemmed from an increase in the value of imported services. Nevertheless, Norway's crude oil production last year rose by 13 per cent to a record average 2.67m barrels a day - most of which is exported of \$1.09 in the average price per barrel of oil to \$15.27 in 1994. *Karen Fosell, Oslo*

Italian retail sales in the first nine months of 1994 were up 3.3 per cent from a year earlier, according to the statistic bureau, Istat. The food sector registered a 6.5 per cent rise in retail sales from a year earlier, while non-food retail sales were up 2.0 per cent.

West German import prices rose by 0.6 per cent in November 1994 from November, when they rose 0.9 per cent compared with 2.2 per cent in November.

Austria hit by scandal of arms plot

By Eric Froy in Vienna and Bernard Gray in London

Austria's fragile coalition government is under pressure after a leading Social Democratic party (SPO) official was forced to resign because of his role in an alleged attempt to use a weapons deal for illegal party financing.

Mr Peter Maritz, the secretary general of the SPO, stepped down on Sunday following the publication of a taped conversation of him discussing a scheme with a fellow parliamentarian to split a supposed \$370m (\$5.48m) commission from British Aerospace for a large-scale order for army helicopters and transport aircraft.

Even though the deal, estimated at \$370m, never came through and may merely have been a hair-brained idea to gain new sources of cash for the parties of the two politicians implicated, it has increased public mistrust of the governing coalition and could lead to further investigations into military procurement practices.

The scandal is a serious setback for Chancellor Franz Vranitzky, who plucked Mr Maritz from obscurity in 1986 and put him in charge of the party organisation. Mr Maritz, a former locksmith and union official, has been under pressure since December, when he was forced to withdraw his application for a top Brussels post because of questions regarding his qualifications.

A strange twist is added to Mr Maritz's story by growing indications that he himself recorded the conversation with Mr Herbert Kraft, the defence spokesman of the conservative People's Party, and passed the tape on to the press almost a year later.

According to a transcript published by the weekly magazine, New, Mr Kraft tried to sell the kickback scheme to Mr Maritz, who rejected the offer. Political observers now suspect

that Mr Maritz wanted to score political points by smearing a coalition partner.

Mr Kraft resigned last Wednesday, just hours after the damaging transcript was made public. Another possible victim of the affair is Ms Maria Raub-Kallat, the environment minister. It was her husband, Count Alfons Mensdorff-Pouilly, an aristocratic landowner and self-styled consultant, who proposed the BAE deal to Mr Kraft.

Ma Raub-Kallat, a rising star in the OeVP, seems so far not to have been involved in her husband's scheme, but her reputation could be tarnished by his business dealings. Count Mensdorff has done some advisory work for BAE. But the company said that he had no authority to negotiate million-dollar arms sales and it was not aware of his efforts.

The Austrian army has held exploratory talks with BAE regarding the purchase of the BAe-146 transport aircraft and has some vague plans to acquire helicopters.

But no official negotiations with BAE or other suppliers have taken place, the Austrian Defence Ministry says. BAE confirmed that it had negotiations over the 146 aircraft and that Count Mensdorff acts as an adviser to the company, but insisted that it had not discussed helicopters or other large military orders with the Austrian government.

BAE does not make helicopters, but is bidding to become the lead contractor to supply the Franco-German Tiger attack helicopter to the UK's Royal Air Force. The two main political parties lost heavily in parliamentary elections in October, but decided to continue their coalition with a reduced majority.

The opposition parties are trying to make the most out of the affair. They are demanding, and are likely to get, a special parliamentary commission to look into the issue of military procurement.

Portugal's dynasties on top

Stripped of their assets, jailed or exiled after the 1974 revolution, old money families are more powerful than ever, writes Peter Wise

Old money is back in Portugal, audaciously eclipsing the ambitions of business groups born in democracy. Mr Antonio Champalimaud, a 76-year-old entrepreneur whose industrial empire was seized by the state after the left-wing revolution of 1974, is poised to pay \$153m (\$365m) for 50 per cent of a leading bank.

By contrast, the Sonae conglomerate of Mr Belmiro de Azevedo, the closest to an industrial magnate post-revolutionary Portugal has produced, has achieved only a 7.2 per cent holding in a rival bank. He is struggling against a \$300.3m hostile bid launched partly by another of the handful of family groups that dominated the economy during 48 years of authoritarian rule.

Business dynasties that the revolution tried to crush will control or play an important role in three of Portugal's top four financial groups if three pending bids, together worth \$465m, are successful. Part of their return has been financed by the other member of the big four, state-owned Caixa Geral de Depósitos, endorsing their return to the fold.

Stripped of their assets, imprisoned and forced into exile, families such as the Champalimauds, the Mellors and the Espírito Santos were stigmatised after the revolution as pillars of an authoritarian state that shied from competition, gave them African colonies to exploit and suppressed trade unions.

But the old regime's tycoons are seen with more forgiving eyes 20 years on. "People resented them for taking economic advantage of authoritarianism," says a company director.

"But they are accepted today as men who lost everything, earned it back and are re-establishing themselves as business leaders in a free country and a market economy. The Portuguese like winners."

Mr Champalimaud has won - and lost - on an uncommon scale. His steel and cement-based group accounted for almost two-thirds of Portugal's industrial capacity when he fled to Brazil under threat of



Comeback: Antonio Champalimaud, whose empire accounted for almost two-thirds of Portugal's pre-1974 industrial capacity

arrest. He began rebuilding his group from a cement plant he had already acquired near Rio de Janeiro. Today, he is Portugal's richest individual with an estimated net worth of \$170m, according to Fortuna magazine.

Mr de Azevedo, 56, ranks third with \$104.7m. A carpenter's son from a poor village, he has built Sonae virtually from scratch into Portugal's biggest conglomerate, based on retail distribution and wood products.

But - apart from the cork companies of Mr Americo Amorim - no other post-revolutionary group has moved close to the big league.

What benefits the older groups is that some of them owned assets abroad that escaped nationalisation and

which now provide them with efficient organisations, specialised expertise and international contacts.

Scarcity of risk capital and a diminutive capital market have weighed against new business groups. Banks are the main source of finance for expansion. But interest rates have been cripplingly high.

This helps explain why the old groups are moving back strongly into finance but have shown little appetite for industry. Few business leaders with the drive and vision to surmount these drawbacks have emerged since 1974.

"Tremendous fortunes were made in the turbulent period after the revolution by people who seized opportunities to buy cheap and sell dear," says a Portuguese economist. "But

that is how American magnates enriched themselves a century ago. Few from the post-revolutionary generation have proved capable of taking the next step of building a well-managed group equipped to compete in a global economy."

New generation entrepreneurs with the most talent for building groups out of almost nothing have been professional managers without their own money behind them.

Mr Jorge Jardim Gonçalves founded Banco Comercial Português only eight years ago. However, he is now leading a bid to take over Banco Português do Atlântico, the second largest bank, where Mr de Azevedo is leading the resistance of a small group of businessmen.

On a smaller scale, Mr Artur Santos Silva of Banco Português de Investimentos and Mr Carlos Rodrigues of Banco Chemical have shown the same ability to run risks and win support to create successful banks.

But several attempts to expand by BCP were blocked by the Portuguese government until, for the BPA bid, the bank joined with Império, an insurance company controlled by Mr José Manuel de Mello, another business leader from the old regime.

Mr Champalimaud began buying back assets in Portugal in 1992, paying \$20bn for control of Mundial Confiança, an insurance company he previously owned. Last November he paid \$57bn for 50 per cent of Banco Pinto e Sotto Mayor, also part of his former group. Less than six weeks later he announced his \$153m bid for 50 per cent of Banco Totta e Acores, Portugal's third largest bank.

Governments have been cold-blooded about compensating the old groups for their losses. Restitution has been made for only a tiny fraction of the losses claimed.

But Mr Champalimaud's proposed purchase of BTA has been welcomed - despite some legal objections - because it will return the bank from Spanish to Portuguese control.

Door closed on Italy's old political order

By Robert Graham in Rome

The fast-evolving political landscape of Italy has undergone a transformation as a result of the weekend disbandment of the neo-fascist Italian Social Movement (MSI) that has kept alive the flame of Mussolini's ideals for almost 50 years.

The movement has been merged with the National Alliance (AN), the party created in January last year by Gianfranco Fini, the MSI leader, as a vehicle for the electoral ambitions of the right.

The AN - with Mr Fini its unchallenged leader - has now staked a claim to bring the Italian right into the mainstream of national politics. The MSI/AN obtained 13.5 per cent of the vote last March and polls currently give the party close to 18 per cent, the third-largest political grouping in Italy.

Until the advent of the government of Mr Silvio Berlusconi and the creation of a right-wing coalition last May, the MSI had played a marginal role and was treated by many politi-

Former prime minister Silvio Berlusconi's Forza Italia party and allies are likely to abstain in the Senate confirmation vote tomorrow on the new government of Mr Lamberto Dini. AP reports from Rome. Leaders of Forza Italia, the right-wing National Alliance and a small group of ex-Christian Democrats indicated that their senators would follow the same strategy as last week in the confidence vote in the lower house, the chamber of deputies. In that vote, Mr Dini's non-partisan government won confirmation due to the abstention of the Berlusconi bloc. Mr Dini, a former central banker who was Mr Berlusconi's treasury minister, formed a government of technocrats two weeks ago. Although resisting Mr Berlusconi's call to set a date for elections, Mr Dini has said his government is likely to last no longer than a few months, the time needed in his view to carry out deficit-trimming measures.

claims as a pariah. It was the last to adapt to the collapse of the Berlin Wall and the break-up of Italy's post-war parties. This was because the MSI was far more nostalgic about its past and because Mr Fini's own position as a moderniser was far more precarious. The disappearance of the MSI means that no party present in either government or opposition from 1945-1980 now exists.

The 43-year-old Mr Fini emerged from the three-day congress winding up the MSI, and the subsequent two-day meeting relaunching the AN,

with his prestige and authority enhanced. He dealt skillfully with his opponents, a hard core of fascist nostalgics, forcing them into a position whereby they accept his line or refuse to join AN.

The hardliners, headed by Mr Pino Rauti, duly walked out and Mr Fini was elected as AN chairman by 1507 of the 1679 votes. Only seven years earlier, Mr Fini narrowly beat off Mr Rauti in the race to take over the reins of the MSI.

This exodus had the propaganda benefit of publicly demonstrating

that the unpleasant fascist elements that got the MSI such a bad name had been ditched.

However, if Mr Fini was able to show his supporters what the AN did not stand for, his polished rhetoric was much more vague about its new ideology. He spoke of creating a "new right with a social conscience". This phrase, which echoed some of Mussolini's ideas of corporatist national socialism, was only amplified by a party member who said: "We want to wrest from the left their right to claim social justice platform as theirs." In discussing the market economy, it was also clear that delegates had little in common with the Thatcherite principles which Mr Berlusconi's Forza Italia has embraced. Mr Fini wants a more efficient economy but not necessarily less state involvement or less protection.

Indeed, the state is seen as vital for guaranteeing the economic survival of the mezzogiorno - Italy's deprived southern region. Such views underscore that the core of the AN vote remains in central and southern

Italy, where the state has always been a big employer and provider of jobs and money. Mr Fini does not have supporters in big business but among small shopkeepers, artisans, students and those with jobs at risk.

This base can be expanded, but only at the expense of Forza Italia and the centrist Popular party (PPI), heirs of the Christian Democrats. Winning votes from Forza Italia depends upon the political durability of Mr Berlusconi. So long as the Forza Italia leader retains his strength and political will, Mr Fini is likely to remain his faithful ally.

Mr Fini in the short term has more chance to increase his clout by forging a broad electoral alliance - last March's Freedom Alliance with Mr Berlusconi being the precursor. It was no accident he played up the presence at the AN congress of Mr Rocco Buttiglione, the PPI leader. He wants him as part of a new centre-right coalition. But this strategy will work only if Italian politicians genuinely want a bi-polar system of parties with two main blocs.

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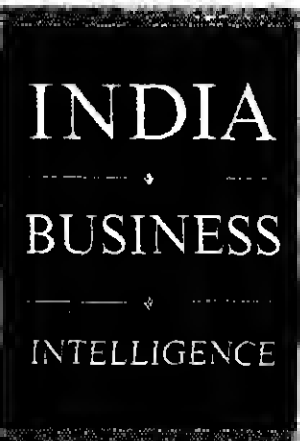
1995 GENEVA EXECUTIVE COURSES IN FINANCE

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US soda ash exports face dumping duties

By Emma Tucker in Brussels

The European Commission is set to impose provisional anti-dumping duties on soda ash imports from the US in a move which will infuriate European glass producers.

The decision, expected at the end of next month, follows an investigation launched nearly two years ago after European producers, notably Solvay, the Belgian chemicals group, complained that US producers were selling products in Europe at prices below the level charged in the home market.

But glass manufacturers, the big-

gest customers for soda ash in the EU, argue that there is no link between US imports and the problems of the soda ash industry.

They say a drop in soda ash prices at the time the investigation was launched was the result of earlier action by the Commission in 1991 to break apart a powerful soda ash cartel - one of whose objectives was to exclude US producers - bringing proper competition to the sector. "Our people had access to other suppliers for the first time in years and years," said Mr Gilbert Masysaert, secretary general of the CPV European glass producers trade association.

Glass producers now say that what the Commission gave them in 1991 with one hand - a properly competitive soda ash industry - it now intends to take away with the other, by imposing anti-dumping duties.

They believe Solvay and a group of industrialists, using the threat of job losses, persuaded the Commission to endorse duties in December. That decision is now being looked at by the member states before final approval by the Commission.

Yesterday a Commission official said Sir Leon Brittan, the commissioner responsible for trade policy, "took months and months over this

case and investigated it over and over again".

"There was dumping," said the official. "The fatal mistake that the US industry made was that when the European cartel was busted, they started to dump."

Glass producers concede that dumping probably did take place for a few months, but argue that the conditions are now so altered that action by the Commission would be misguided.

"If we take the Commission's definition of what is anti-dumping, it seems that for three to six months US soda ash was selling into Europe at too low a price," said Mr Luc Willame, chief

executive of Glaverbel, the Belgian glass producer. However, he pointed out that soda ash imports now accounted for less than 3 per cent of the European market, and even at the time of the alleged dumping were only 8-10 per cent.

"What we want is to maintain a good, competitive functioning of the market. We want to be sure that soda ash manufacturers are not going to use this protection to raise their prices," said Mr Willame.

Solvay, the biggest producer of soda ash in Europe, says duties are necessary to prevent "irreparable injury" to the European soda ash industry.

Brussels patent ruling complaints

By Emma Tucker in Brussels

Industry representatives from across Europe meet in Brussels today to set out their objections to Commission plans for reforming the rules governing the licensing of patents.

Following a flood of protest, the Commission has called a hearing at which industry will argue that proposals to limit the power of big companies to secure exclusive licences are unscientific and unworkable and will act as a barrier to technological innovation.

The process of licensing patents for new products and technologies is largely immune from EU competition rules, under special Commission powers that allow it to exempt certain anti-competitive industry agreements that are judged to yield other benefits - such as the advance of science and technology or consumer safety. However, the Commission fears the system, by allowing dominant companies to secure exclusive licences, has enabled big business to monopolise the market in certain products and prevent access to new technology by outsiders.

The bloc exemption was due to expire at the end of last year. In preparation the Commission produced a replacement framework that was less generous to big business.

It proposed that the new bloc exemption should apply only to companies with a limited market share.

Specifically, exclusive

licences were only to be exempt from competition rules if the licensee's market share was no more than 40 per cent, and that the market was not oligopolistic - in other words, that the parties to the agreement plus one other company did not hold a total market share of over 50 per cent.

The industry reacted furiously. It argues that market share is not a science and that the 40 per cent threshold is bound to result in protracted arguments over how to measure market share.

"Companies cannot be certain what their market share is, so they therefore cannot be certain that they will benefit from the bloc exemption," said one industry representative in Brussels. "If it is 39 per cent they are safe, but if it is 41 per cent they are illegal. There are bound to be arguments with the Commission, which has traditionally tended to define markets very narrowly."

The new rules, the industry says, will lead to long delays it cannot afford when it is in the process of licensing patents and know-how, and will introduce uncertainty.

"Not only is uncertainty bad for business, it is particularly pointless for new products because no one knows about the market yet," said Mr Andrew Popper of British Technology Group. "So in practice it will damage technology transfer and impede new inventions and products coming to the consumer."

Japanese vehicle exports fall 11%

By Krishna Guha in London

Japan's vehicle exports fell to a 17-year low in 1994, declining 11.1 per cent to 4.66m vehicles, according to figures released by the Japanese Automobile Manufacturers Association (Jama) yesterday.

The figures will compound car trade difficulties between the US and Japan, talks between the two ended without agreement last week.

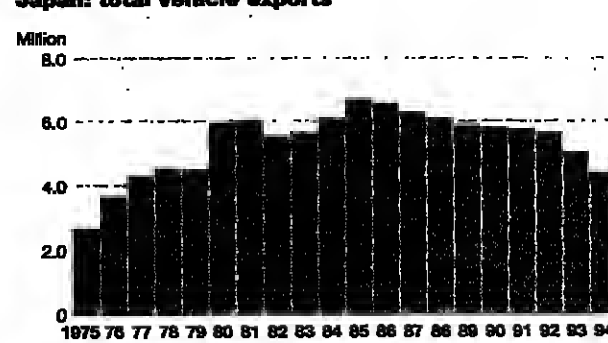
Last year was the ninth consecutive year in which Japan's vehicle exports have fallen in the face of stiff foreign competition in US and European markets and the appreciation of the yen. Analysts said exports were likely to remain subdued in 1995 as Japanese companies switched production to cost-efficient plants overseas.

Mr Seichiro Iwasawa, senior analyst at Nomura Research

Institute, said: "Japan's vehicle exports will continue to fall because exports to the US and Europe will remain slow, even if exports to other areas such as Asia increase."

Japan's motor vehicle exports to the EU fell 16.5 per cent in 1994 to 815,911 vehicles, considerably less than the agreed quota of 933,000. Sales of Japanese marques have recovered from their recession low in recent months but Japanese companies have responded by increasing production at European plants and subsidiaries such as Mitsubishi's NedCar, based in the Netherlands. Mr Iwasawa said: "Exports from Japan are unlikely to increase because Japanese carmakers are increasing local output. Mitsubishi will start production at its Dutch unit this year. That will have a big effect."

Japan: total vehicle exports



Source: Japan Automobile Manufacturers' Association

Japan's finished vehicle exports to Asia fell by 20.2 per cent in 1994 to 694,335 vehicles, though exports of car parts to Asian assembly plants increased.

A Jama official said Japanese car manufacturers had given up trying to compete against vehicles produced locally because of the cost burden imposed by the yen.

However, Japan's vehicle exports to the US rose in 1994, up 1.6 per cent to 1.64m vehicles in spite of a fall in passenger car exports. This

will intensify US demands for progress in talks over reciprocal US access to Japanese car and vehicle parts markets, at a time when Japan's domestic industry is suffering from the decline in its overall exports.

Talks, which had been suspended since October, resumed at sub-cabinet level in Washington last week. However, they failed to break the deadlock over "complex technical issues" and were postponed once more without formal agreement on Friday.

See Editorial Page feature

Protest at US steel pipes ruling

By Michio Nakamoto in Tokyo

Japanese steel companies will appeal against a preliminary ruling by the US Department of Commerce that they have been dumping seamless pipe products in the US.

Sumitomo Metal Industries, Japan's largest producer of seamless pipes, said yesterday the ruling and the 44.2 per cent dumping margin set by the Commerce Department were "very regrettable".

"We have always said that our exports are specialty products which US makers

cannot produce and therefore our exports are not damaging US makers," a Sumitomo representative said yesterday. The company intended to press this point with the International Trade Commission.

The Commerce Department's ruling is the latest development in an anti-dumping charge launched last June by seven US producers, led by US Steel.

It follows a preliminary ITC ruling against Japanese steelmakers in August which determined that Japanese imports to the US of seamless pipes might have damaged US manufacturers. The ITC is

conducting further investigations.

While neither ruling so far is final, the impact on Japanese exports of seamless pipes for oil drilling to the US has been severe. "I don't think there have been any new business negotiations [with US customers] since last June," a representative of Nippon Steel said yesterday.

Any negotiations since the anti-dumping charges were filed would have to be conducted with the understanding that the customer in the US would bear any additional costs associated with dumping duties.

CONTRACTS AND VENTURES

China to maintain satellite launches

China will maintain its foreign satellite launch programme this year despite last week's explosion of a launch rocket which destroyed a \$160m communications satellite. The China Great Wall Industrial Corporation (CGWIC) said five planned satellite launches for foreign customers would go ahead this year. CGWIC, which markets China's satellite launch programme, was also discussing new contracts, a spokesman told the official China Daily newspaper.

China's satellite programme suffered a serious setback with the destruction of the Long March 25 launch vehicle after that fire broke out in the front part of the rocket. "Fire first engulfed the satellite compartment, then quickly spread to the trunk of the carrier rocket and finally caused an horrific explosion," the paper said.

The satellite was built by the GM unit of Hughes Space and Communications and would have carried signals across a vast section of the globe for high-profile clients including Reuters television and Turner Broadcasting. Tony Walker, Beijing

Lucas sets up Hubei venture

Lucas Industries, the UK motor components and aerospace group, is setting up its second vehicle brakes manufacturing joint venture in China. Lucas will have a 60 per cent stake in the venture, which initially will produce 100,000 truck brakes a year at a \$8.5m plant in Shiyuan city, Hubei province. If the project proceeds as planned, the plant will be producing 300,000 units annually within five years.

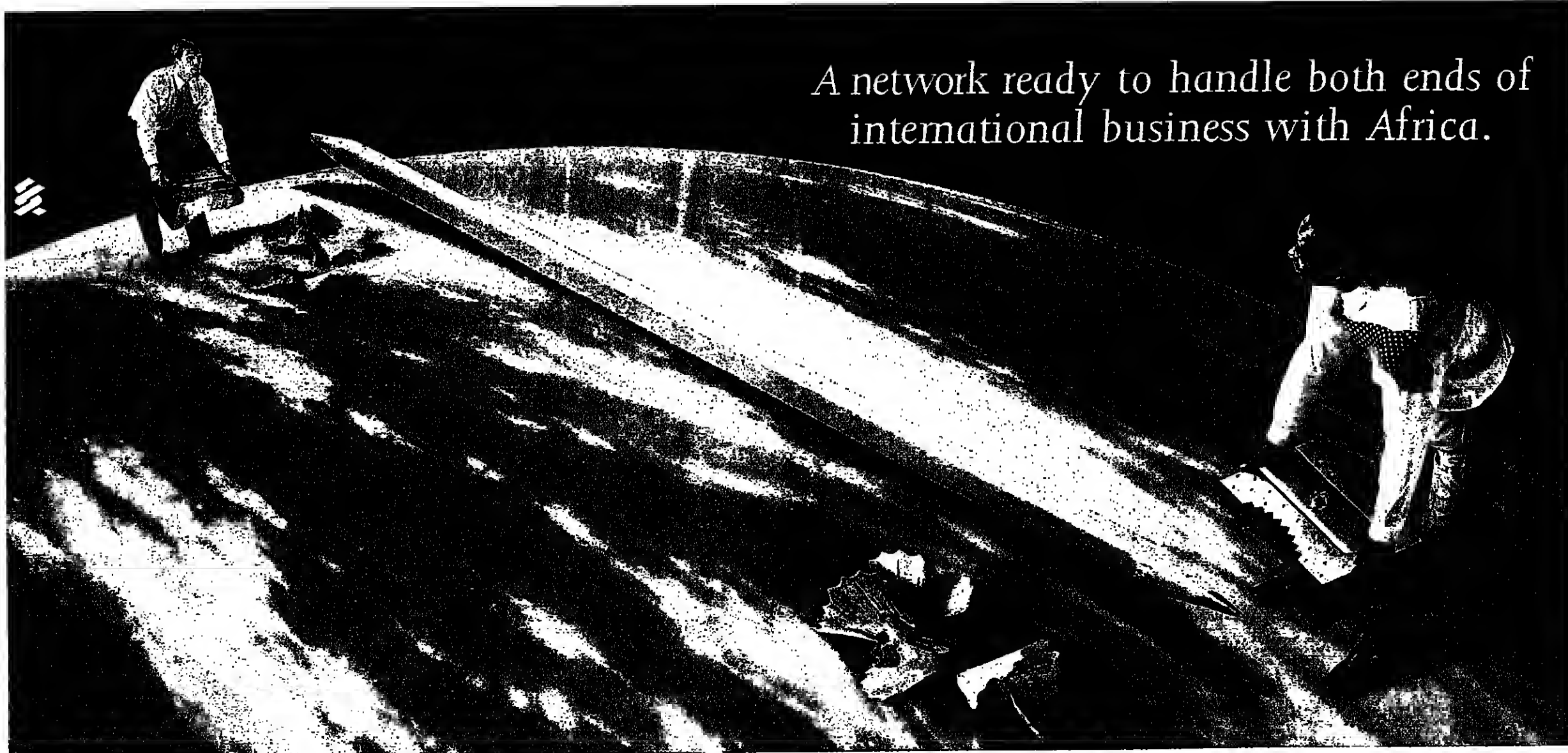
The joint company represents part of Lucas' strategy to establish a presence in China's rapidly expanding industrial economy. It has a third joint venture, but in the aerospace sector. Its partner in the truck brakes venture, to be called Lucas Hua Yang Vehicle Braking, is Hua Yang Enterprise Group, a state-owned company with a turnover of around \$40m. China currently produces about 300,000 trucks over five tonnes annually. John Griffiths, London

Petronas, Malaysia's national oil corporation, has awarded a \$800m oil refinery construction contract to a consortium led by Chiyoda and Mitsui of Japan. The refinery, capable of processing 100,000 barrels of oil a day, will form part of a petrochemical complex being built near Malacca on the west coast of the Malaysian peninsula. Petronas and Conoco, the US oil company, are jointly developing the complex. A consortium of companies from the US, Japan, South Korea and Taiwan was originally given the refinery contract but unspecified differences between parties led to abandonment of the deal. Kieran Cooke, Kuala Lumpur

Innotech of Japan and Beijing University will set up a joint venture to design semiconductors for the Chinese market. The new company, capitalised at ¥100m (\$1.01m), will start operations in 1997. The venture will be owned 40 per cent by Beijing University, 40 per cent by Innotech, a maker of semiconductor manufacturing equipment, and 20 per cent by its parent Itochu, Tokyo.

Brascan, the Canadian financial services group, plans to invest \$250m in commercial property and a hotel (in association with InterContinental Hotels) in the São Paulo and Rio de Janeiro areas of Brazil. Brascan and InterContinental already have a joint venture hotel in Rio. Robert Gibbons, Montreal

E. Phil and Sons of Denmark has won a \$64m contract from the Port Authority of Jamaica to expand Kingston's container terminal. The terminal's facilities will have an additional 32 acres of paved storage for containers and 2,000 feet of berthing. The Port Authority is also buying two gantry cranes from Mitsubishi of Japan for \$13m. Camille James, Kingston



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INTERNATIONAL NETWORKING



NEWS: THE AMERICAS

Mexican markets tumble on package fears

By Ted Bardacke and Leslie Crawford
in Mexico City

Mexican financial markets were hit hard yesterday by fears that the proposed \$40bn (\$25.6bn) US package of loan guarantees would be defeated in the US Congress and market rumours that the country's international reserves are falling to dangerously low levels.

Adding to investor worry is the perception that the Mexican government, which initially thought passage of the US package was assured, may have been lulled into a false sense of security.

and lacks a contingency plan should the US package fail. By midday, the stock market had fallen by 2.61 per cent and the peso had hit an historic low on rumours that Mexico's international reserves had fallen to as low as \$2bn. The slide continued despite central bank statements denials of the depleted reserves.

The US dollar remained in heavy demand driving the peso down to 6.25 pesos to the dollar after closing 5.87 pesos on Friday. As of January 3, reserves stood at \$5.5bn and the central bank said new official figures would be published on February 9.

Central bank officials also said that they were drawing on the \$10bn credit line extended by the US Treasury and Canada's central bank to shore up reserves. Many private economists have estimated current reserves to be approximately \$4bn-\$5bn.

With low reserves and without the US loan guarantees, Mexico may have trouble paying off its short-term dollar-linked debt, which traders say is leading foreign investors to buy dollars in anticipation of this year's maturity of such debt - amounting to \$17bn in government securities and \$18bn in short-term private bank

obligations.

In New York, Mexican equities were also off sharply, with shares of Telmex hitting a 52-week low. Analysts said that in addition to general selling of Mexican stocks, continued turbulence in the markets was making it difficult to make earnings projections for 1995, thus forcing investors to stay out of the market completely.

Mexican banks have also been caught up in the uncertainty. Banca Serfin, the country's third largest bank, announced that it had set aside 1.4bn new pesos (\$250m) in loan loss reserves, a 648 per cent increase over

1993. Serfin posted a net profit of 185m new pesos for the year ending December 31, 1994, a 31.2 per cent drop compared to 1993. So far, Mexican authorities have not indicated what their economic strategy might be should the US aid package fail to be approved by the US Congress.

Both foreign and domestic investors are now pressuring the government to draft contingency plans that go beyond reliance on the offers of financial aid pledged by friendly governments, the International Monetary Fund and commercial banks totalling some \$25.7bn.

AMERICAN NEWS DIGEST

Peruvian troops rush to border

Peruvian forces continued to mass on the frontier with Ecuador yesterday following border clashes between the armed forces of the two countries. As tensions escalated, the permanent council of the Organisation of American States met in Washington at Ecuador's request. Reports indicated that up to 20,000 Peruvian soldiers had been mobilised. Several Peruvian warships and submarines have also been moved into the area around Paita and Talara - site of a big Peruvian oil refinery - on the northern coast. A communiqué issued in Lima said a Peruvian helicopter was shot down over Peruvian territory on Sunday by an Ecuadorian missile, killing five crew members. It also said the Peruvian army had retaken a border area invaded days earlier by Ecuadorian troops. Ironically, two Ecuadorian banks have just made significant investments in Peru: the Banco Popular recently acquired 53 per cent of Peru's Banco Interandino and Banco de Pichincha, 25 per cent of Lima-based Banco Financiero. Two other Ecuadorian financial institutions are evaluating possible bids for Peru's state-owned Banco Continental, due to be auctioned in a few weeks. The Lima stock exchange, which has a large foreign investor presence, reacted nervously. By midday the blue chip index was 7 per cent down. *Sally Kousen, Lima*
See Feature

UN to approve Haiti force

The United Nations Security Council appeared set last night to approve deployment of a 6,000-member UN force in Haiti, taking over military control from the Americans. Although China was said to have last-minute reservations on some details, a final decision was expected. Completion of the military transfer to the UN is scheduled for March 31 and the Council's mandate would initially be for six months, at a cost of just over \$178m (\$114.1m). France and Ireland, but not Britain, are among countries that have promised troops for the UN operation. Their commander will be an American, Maj-Gen Joseph Kinzer. About a third of the force will comprise US troops. *Michael Littlejohns, New York*

US personal incomes up 0.8%

US personal incomes rose 0.8 per cent in cash terms last month and by 6.1 per cent during 1994 as a whole, the largest cash increase in four years, the Commerce Department reported yesterday. The December gain was bigger than most analysts expected and provides further evidence that rapid employment growth is boosting living standards. Personal consumption spending, however, rose only 0.3 per cent last month, confirming the pace of household spending eased at the end of last year. The figures follow the release on Friday of data on gross domestic product which showed the economy grew at an annualised rate of 4.5 per cent in the fourth quarter. Real consumer spending grew 4.6 per cent during the quarter as a whole, despite the slowdown in November and December. Federal Reserve governors and regional presidents meet in Washington today and tomorrow to debate the monetary outlook. Most economists expect the Fed to signal another half-point increase in short-term interest rates to 6 per cent. Last year's growth in personal incomes shows that the benefits of economic growth are feeding through into higher household living standards. But the improvement is more modest after allowing for inflation and taxes. Real disposable incomes grew 3.5 per cent last year against 1.5 per cent in 1993. After allowing for population growth, last year's per capita increase in real disposable income was 3.5 per cent. *Michael Proulx, Washington*
See Feature

Soros warns of danger to world economy

By Peter Norman and Guy de Jonquieres in Davos

Mr George Soros, the financier, yesterday warned that a failure of the US Congress to approve the \$40bn (\$25.6bn) support package for Mexico would have very serious implications for the Mexican and world economies.

Mr Soros said it now appeared that the US government guarantees on which the package depends would not pass Congress. The momentum had turned against it, he said. "The fall out from the Mexican crash could be very severe. It has very very serious implications for the world economy," he said.

"If stability is not re-established in Mexico, it would have a knock on effect throughout the world because investors would be shellshocked."

Mr Soros predicted a negative effect on all countries that have relied on foreign investment for economic growth. These were the countries which had produced growth in the world economy.

Mr Soros's grim assessment reflected a deepening sense of gloom about Mexico among participants at the World Economic Forum in Davos. He said he believed moves were underway to reinforce an earlier package of international

support for Mexico in the event that Congress voted down the US administration's plan.

It was possible the original \$18bn of support from foreign governments and international banks might be made available for a longer period of time.

The plight of Mexico is now expected to top the agenda of the meeting on Friday and Saturday in Davos of the Group of Seven finance ministers and central bank governors.

He said his own business interests had suffered a loss that was "not very significant" since the Mexican crisis broke. His main exposure was in two financial companies which were long-term investments.

● Angus Foster adds from São Paulo: The announcement last week by Argentine president Carlos Menem that four South American countries are planning a \$1bn loan for Mexico has annoyed Brazilian congressmen, many of whom do not want their country involved in the package.

Brazil's president Mr Fernando Henrique Cardoso, trying to defuse criticism of the loan in Brazil, described the idea as "very preliminary". A Brazilian government official said any loan would be largely a "political gesture" and would be conditional on the US Congress approving the \$40bn loan guarantee deal.

Clinton urges humane reform of US welfare

By Jurek Martin in Washington

President Bill Clinton yesterday committed his government to "meaningful" reform of the US welfare system this year, with substantive administrative power transferred from Washington to the 50 states.

But he warned the nation's governors not to use their newfound power to pursue reform in a callous manner. "We do have a national interest in protecting our children," he said in a morning speech to the national governors conference.

Mr Clinton said he had long approved of the principle and most of the practice of "block grants" from the federal government to the states and thought that the states should enjoy greater flexibility over how to administer programmes and where to spend money.

But some of the more radical ideas emanating from the Republican leadership in Congress and some of the states concern the administration. Ms Donna Shalala, secretary of health and human services, spoke yesterday of not letting the poor and the young fall through the social safety net.

The governors themselves are divided, mostly on party lines, on the issue, perhaps to the point of not being able to find the necessary three-quarters approval at their conference for a position paper which would become their official policy.

The president spent much of the weekend with the governors - and also a conference of mayors from across the country. He reported broad agreement on the need to reduce teenage pregnancy, on forcing absent fathers to pay financial maintenance and generally to

reduce the climate of "dependency" that conservatives claim is fostered by the existing welfare system.

But, as he put in his week-end national radio address, "I don't believe we should punish people because they happen to be poor or because of past mistakes. And, absolutely, we shouldn't punish children for their parents' mistakes."

This constituted a direct criticism of some Republican notions, which would deny assistance to unwed teenage mothers or remove their children from their direct care.

The federal welfare budget cost, currently stands at about \$12.5bn (\$8bn) a year, with the cost to the states an additional \$10.2bn. Altogether about 14m people receive assistance from the Aid to Families with Dependent Children programme, the main federal welfare vehicle.



Clinton: reform commitment

Mr Clinton proposed his own welfare reform bill last year, but it fell foul of Republican obstruction. This year's legislation will be principally drafted by the new Republican majority, though the president's aim is clearly to soften it at the edges.

Top banker warns over derivatives

By Peter Norman in Davos

The banking industry could find itself facing official restrictions over derivatives unless it takes action to reassure legislators its own controls are adequate, a senior central banking official warned yesterday.

Mr Andrew Crockett, the general manager of the Bank for International Settlements, said more regulation was not

the answer to the recent headline-making losses incurred by some corporations and Orange County, California, through investing in derivative financial products.

But he warned that regulation would come "willy nilly" in response to public pressure unless senior managers in the institutions selling and using derivative products recognised their responsibilities. Senior managers should

understand derivatives when they used them, and be prepared to say no to subordinates advocating their use if they did not understand them. Financial institutions should institute proper risk controls, ensuring that those carrying out internal audits of derivative positions were segregated from traders.

Speaking at the World Economic Forum in Davos, Mr Crockett said an "amber or red

light" should go on in the board rooms of a manufacturing or energy company if it expected its treasury department to make large profits from financial activities.

Defending derivatives, he said they had not enlarged the categories of risk facing business. It was very important that legal uncertainties surrounding new financial instruments should be speedily tested and resolved.

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NEWS: INTERNATIONAL

Israel cancels tax on stock market gains

By Julian Ozanne in Jerusalem

Mr Avraham Shochat, Israel's finance minister, yesterday caved in to political and public pressure and cancelled a controversial capital gains tax on stock market profits, marking an embarrassing U-turn in economic policy.

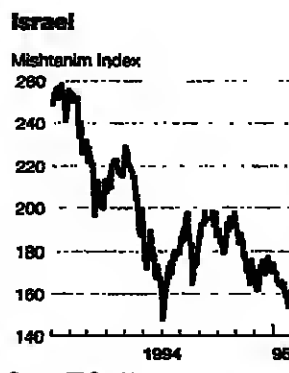
The cancellation will further damage the credibility of the finance minister and exacerbate the image of a government awash with self-doubt and confusion about important economic and political decisions.

Market analysts said the cancellation of the tax was a boon to investors and predicted share prices would soar today on the Tel Aviv market. But they warned of potentially damaging effects of the Labour-led government's response to its slump in recent opinion polls, partly caused by discontent among thousands of small investors about the tax.

"It is good news for the market and for investors," said Mr David Rosenberg, market analyst at Pacific Mediterranean Investments. "But it is clear we are running into an election season and the government is in pretty dire straits, and this is the first step on the campaign trail. If you are looking forward and you are worried about the government engaging in election economics, you should be a little concerned."

Mr Shochat, who made his announcement after the market closed, said he still believed the tax was economically and socially justifiable to broaden the tax base and tax capital as well as labour. He also denied the link between last year's 30 per cent market slump and the announcement of the tax last August. But he said a "political, social and psychological climate was created in which a link was made" and the governing party "found it difficult to withstand incredible pressures... that the tax had led to a crisis and that the political price being paid was too high."

In an interview last night Mr Shochat said he had been forced to bow to "the great sensitivity of the public" and end



Source: FT Graphite

the embarrassment surrounding the tax but he dismissed growing speculation he would resign or that there would be further populist changes to economic policy.

"It is a pity I have to cancel the tax and I don't deny I prefer to implement it, but it does not set an example for other government economic policies," he said.

Mr Shochat's announcement followed a row in cabinet on Sunday when Prime Minister Yitzhak Rabin attacked the tax and blamed his finance minister for getting him to back a tax which proved unpopular and provided no revenue given the conditions in the market.

Ministers said Mr Rabin had complained bitterly that the tax, which had been due to take effect on January 1, had not been implemented and at one point said: "We can say we made a mistake."

Mr Shochat was reported to have said: "Just like we made a mistake in Oslo [with the Israeli-Palestinian peace agreement], this is a government of mistakes."

For several months Mr Shochat has fought off a campaign by populist ministers to abolish the tax and force him to resign.

"Shochat is now a dead duck," said Mr Pinchas Landau, columnist for the Tel-Aviv business newspaper. "He is washed up. The Treasury is not functioning but more importantly the government as a whole is seen to be not merely buffeted by public opinion but completely inconsistent."

France tries to step away from Algerian conflict

By David Buchan and John Ridding in Paris

France is to freeze delivery of civil helicopters and scale down sales of military radios and special protection gear to Algeria, in an attempt to assert its neutrality in the bloody civil war between Algeria's security forces and Islamic fundamentalists, a French official said yesterday.

At the same time a senior French military officer said that, while government forces had "over the past month or two regained a certain control" over some territory previously held by the fundamentalists, "only a political solution" could end the strife.

He said the security forces' "tactical successes" had changed the pattern rather than the scale of the violence. Several hundred people were still dying each week, with the army suffering fewer losses and organisations such as the Islamic Armed Group (GIA) taking more casualties.

A car bomb exploded along a crowded street near Algiers' main police station yesterday killing 38 people and injuring about 256, security forces said. Reuter reports from Algiers. It was by far the worst bombing during a three-year insurgency by Islamic militants that has killed an estimated 30,000 people.

Sporadic automatic gunfire was heard shortly after the explosion. There was no immediate claim of responsibility.

The attack followed an exhortation by the Islamic Salvation for its followers to intensify attacks during the Muslim holy month of Ramadan, which began today.

Because of this the GIA was operating more at night, but it still had "refuge areas where the security forces cannot penetrate".

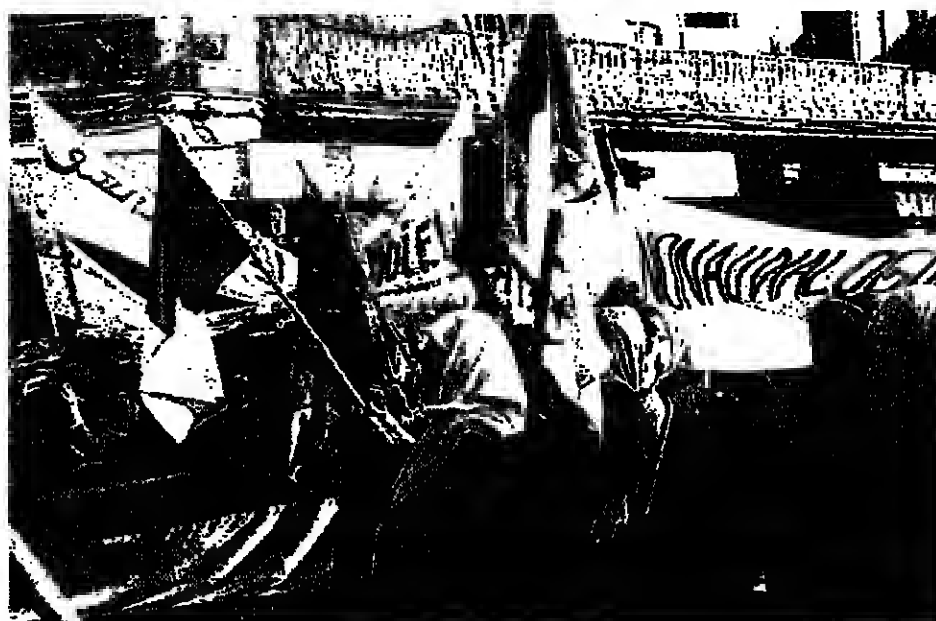
Following the Air Algérie hijacking over Christmas, Prime Minister Edouard Balladur ordered a review of

France's relatively small-scale military sales of FF300m (£3.6m) a year to Algeria. These have consisted mainly of radio and communications equipment and special flak jackets and helmets. Officials said yesterday existing contracts would probably be fulfilled, but new contracts turned down.

Even before the hijacking, the French government had refused an Algerian request for the "militarisation" of the nine Eucore civil helicopters that Algiers ordered from Eurocopter last year.

Yesterday Eurocopter, the joint company of Aérospatiale and Daimler-Benz Aerospace, said delivery of the Eucorels, due to start this month, had been frozen.

The French officer said he had no evidence that Algerian fundamentalist guerrillas were receiving any substantial outside help. "But the longer this crisis lasts, the greater the chance of it being internationalised."



Algerian women holding signs reading "No to dialogue" march through Algiers yesterday protesting against peace overtures by opposition parties and in favour of the government

This prospect was discussed at a January 21 meeting in Tunis of interior ministers from France, Spain, Italy, Portugal, Tunisia and Algeria - but not from Morocco, whose minister pointedly stayed away.

Meanwhile, Mr Charles Pasqua, France's hardline interior minister, has continued to take a gloomier view of the Algerian political solution than fellow ministers.

In contrast to the welcome given by Mr Alain Juppé, the French foreign minister, to the recent Rome peace overtures

by the Algerian opposition, Mr Pasqua said over the weekend it was "unthinkable" that the fundamentalists would abandon their aim of an Islamic state - which, according to the interior minister, would return Algeria to the seventh century.

'Economic strains' for Arab states

Arab states will face further economic strains in coming years due to rising unemployment and a population growth rate higher than the world average, said a report by four Arab institutions, Reuter reports from Abu Dhabi.

The 1994 report on Arab economies estimated that 3m people would seek to enter the Arab labour market each year between 1995 and 2000.

The report, based on figures for years up to 1993, was compiled by the Arab Monetary Fund, the Arab League, the Arab Fund for Economic and Social Development and the Organisation of Arab Petroleum Exporting Countries.

It said there were 240m Arabs in 1993, adding that the population grew at a yearly rate of 2.7 per cent from 1990 to 1993, compared to 1.9 per cent for developing states as a whole and 0.6 per cent for industrialised ones.

The fast growth reflected falling death rates and fertility rates almost double those of developing countries as a whole.

US extends its N-test ban to boost talks

By Bruce Clark, Diplomatic Correspondent

President Bill Clinton's national security adviser, Mr Anthony Lake, said yesterday the US had decided to extend its moratorium on nuclear testing. The unilateral ban had been due to expire in September, but was extended for a year to allow negotiations on a comprehensive test ban treaty to be completed.

Mr Lake added that the US was also dropping its insistence on an clause allowing it to opt out of a test ban treaty after 10 years in an effort to complete the CTB treaty.

The push for a full test ban treaty is seen as an important totem in the run-up to negotiations on renewing the nuclear non-proliferation treaty, due to start in April. Non-nuclear weapons states want testing banned because it allows others to develop more sophisticated bombs.

A comprehensive test ban treaty would be seen as a sign that the nuclear weapons states are serious about disarmament and would make it easier for them to achieve their goal of a indefinite extension to the NPT.

The NPT review conference coincides with the expiry of the current treaty's 25-year life; if it fails, the world could

in theory have no legal obstacles to the spread of nuclear arms.

All five existing nuclear powers - the US, UK, Russia, France and China - and all the other main western countries are in favour of an indefinite extension. But, as things stand, supporters of this proposal are about 20 votes short of the majority they need.

Some 170 of the 185 members of the UN are party to the treaty, and Argentina and Chile have said they are about to join. Important absentees include Israel, India and Pakistan.

A group of about 20 non-aligned states has argued for a 10- or 25-year extension to keep pressure on nuclear

states. They argue that the nuclear powers have failed to keep their side of the NPT bargain, which requires pursuing disarmament - including a test ban - and sharing technology.

BASIC - an Anglo-American lobby group on disarmament issues - suggests in a report today that the US will step up economic and political pressure on countries holding out against prolongation. "There is speculation that the US and its allies will twist arms by making financial and political support for particular countries conditional on indefinite extension," it says, adding that Mexico is likely to be one of the first targets.

Green light for banks in S Africa

By Mark Suzman in Johannesburg

The Johannesburg Stock Exchange is to proceed with plans to allow full ownership of local broking firms by banks and foreign brokerages this year and will introduce fully automated trading from early 1996. Mr Roy Andersen, JSE president, said yesterday.

The exchange has decided to give a target of November 8 1995, as the date after which banks and foreigners can enter the market directly.

Several British merchant banks have established formal links with South African brokers in anticipation of the changes.

Mr Andersen also said the exchange had completed research into the feasibility of screen trading and was looking at tenders for the installation of an Automated Trading System. He hoped the system would be set up this year and fully operational in 1996.

The plans have been broadly welcomed by local banking groups.

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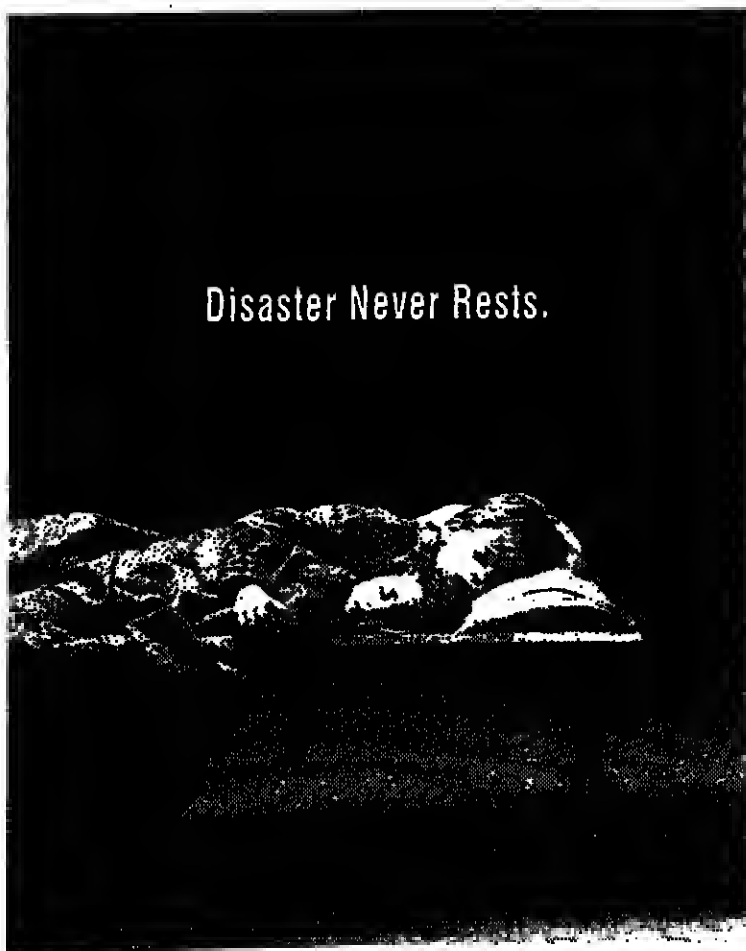
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January 1994 ALPHA Airports Group PLC Flotation, Public Offer and Placing of 113,087,500 Ordinary Shares at 140p each Financial Adviser and Underwriter UBS Limited	May 1994 CIR S.p.A. Lit 591 billion Rights Issue of 6% Convertible Notes due 1999 Joint Global Co-Ordinator UBS Limited	December 1994 Elopak A/S NOK 360 million Syndicated Revolving Credit Facility Joint Arranger Union Bank of Switzerland	January 1994 Her Majesty in Right of Canada US\$2 billion FRN, due 1999 Joint Lead Manager UBS Limited	January 1994 Kingdom of Sweden US\$2 billion FRN, due 2001 Joint Lead Manager UBS Limited	March 1994 Kinki Nippon Railway Co., Limited SFr 300 million 2% Notes with Warrants due 2001 Joint Lead Manager Union Bank of Switzerland	July 1994 Liberty Life Association of Africa Limited US\$320 million 6.5% Convertible Bonds due 2004 Joint Lead Manager UBS Limited
November 1994 Alzo Nobel NV US\$700 million Revolving Credit Facility Joint Arranger and Agent Union Bank of Switzerland	May 1994 CLC/Petrogal US\$269 million Project Financing Adviser Union Bank of Switzerland	April 1994 Empresa Nacional de Electricidad S.A. ENDESA Adviser to evaluate the Spanish cellular phone market Adviser UBS Limited	June 1994 Her Majesty in Right of Canada US\$2 billion 6.5% Bonds, due 1997 Joint Lead Manager UBS Limited	<div> <h2>In markets where financial you are in safe hands.</h2>  </div>		
June 1994 Aylesford Newsprint Limited £150 million Project Financing Agent and Joint Lead Arranger Union Bank of Switzerland	May 1994 CLS Holdings plc Flotation Issue of 45,045,045 Ordinary Shares at 111p Joint Adviser and Sole Broker UBS Limited	July 1994 ENI S.p.A. Adviser for the sale of Nuovo Pignone S.p.A. Adviser UBS Limited	March 1994 Her Majesty The Queen in Right of New Zealand US\$1 billion FRN, due 1999 Joint Lead Manager UBS Limited			
October 1994 Booker plc Cash Placing of 10.5 million Ordinary Shares at 404p each Joint Broker UBS Limited	May 1994 Cowie Financial Holdings plc £200 million 3 year Revolving Credit Facility Joint Arranger Union Bank of Switzerland	November 1994 EVC International NV Global Offering of 10,000,000 Ordinary Shares at NLG 77 each Joint Global Co-Ordinator UBS Limited	September 1994 Humber Power Limited £520 million Project Financing for a 750MW Gas-fired Power Station Agent and Joint Lead Arranger Union Bank of Switzerland			
March 1994 Capital Shopping Centres PLC Initial Public Offering of 91,000,000 Ordinary Shares at 230p each Joint Lead Manager UBS Limited	May 1994 Crédit Local de France FFr 1 billion 7.25% Bonds, due 2003 Joint Lead Manager UBS France S.A.	July 1994 Formosa Chemicals & Fibre Corporation and Nan Ya Plastics Corporation US\$600 million 1% Bonds, due 2001 Lead Manager UBS Limited	September 1994 The International Bank for Reconstruction and Development US\$1.5 billion Global 7.125% Bonds due 1999 Joint Lead Manager UBS Limited			
November 1994 Chakwal Cement Company Limited US\$100 million Global Depositary Receipts Lead Manager UBS Limited	December 1994 Crédit Lyonnais "Titricarte" FFr 2 billion First Revolving Credits Securitisation in France Joint Lead Manager - tranche A Lead Manager - tranche B UBS France S.A.	November 1994 Forte Plc £177 million Vendor Placing of 78,000,000 new Ordinary Shares at 227p Financial Adviser and Underwriter UBS Limited	September 1994 Intershop Holding AG SFr 101.31 million 3% Bonds with Warrants due 2000 by way of Rights Lead Manager Union Bank of Switzerland			
May 1994 Chia Hsin Cement Corporation US\$65 million 4% Convertible Bonds due 2002 Joint Lead Manager UBS Limited	November 1994 Depfa Bank DM 750,000,000 7% Bonds, due 1999 Joint Lead Manager Schweizerische Bankgesellschaft (Deutschland) AG	July 1994 Gardner Merchant £240 million refinancing, working capital and acquisition facility Co-Arranger Union Bank of Switzerland	November 1994 IZASA S.A. Pts 8,000 million Structured Syndicated Term Loan Co-Arranger and Co-Underwriter Union Bank of Switzerland			
July 1994 Cia. Valenciana de Cementos S.A. Pts 35 billion Syndicated Term Loan Co-Arranger and Co-Underwriter UBS (Luxembourg) S.A.	September 1994 Electricidad de Portugal S.A. DM 375 million Syndicated Term Loan Co-Arranger and Co-Underwriter Union Bank of Switzerland	November 1994 Guinness PLC Block trade of 72,000,000 Ordinary Shares at 457p each Lead Manager UBS Limited	June 1994 Kingdom of Belgium US\$500 million 7% Bonds, due 1999 Joint Lead Manager UBS Limited	February 1994 Kingdom of Sweden £200 million 6.25% Bonds, due 1999 Joint Lead Manager UBS Limited	September 1994 Kumyoung Co., Ltd. SFr 25 million 0.75% Convertible Bonds due 1999 Lead Manager Union Bank of Switzerland	April 1994 Merloni Elettrodomestici US\$ 100 million Revolving Credit Facility due 1997 Joint Arranger Union Bank of Switzerland

<p>March 1994</p> <p>Mont Blanc Capital</p> <p>1 billion programme \$340 million issued December 1994)</p> <p>Manager of sales to MBCC listing in US CP markets UBS Limited</p>	<p>May 1994</p> <p>Norcor Holdings PLC</p> <p>Flotation, Placing of 14,166,667 Ordinary Shares at 120p each</p> <p>Adviser and Broker UBS Limited</p>	<p>November 1994</p> <p>Österreichische Postsparkasse</p> <p>SFr 250 million 5½% Bonds Re-opening, due 2002</p> <p>Lead Manager Union Bank of Switzerland</p>	<p>December 1994</p> <p>Perstorp AB</p> <p>US\$150 million Syndicated Revolving Credit Facility</p> <p>Joint Arranger Union Bank of Switzerland</p>	<p>January 1994</p> <p>Samsung Electro-Mechanics Co Ltd</p> <p>SFr 70 million 0.25% Convertible Bonds due 2000</p> <p>Lead Manager Union Bank of Switzerland</p>	<p>April 1994</p> <p>Tele Danmark A/S</p> <p>Initial Public Offering of 63 million New Class B Shares at DKK 310 each</p> <p>European Lead Manager UBS Limited</p>	<p>September 1994</p> <p>UniChem PLC</p> <p>Rights Issue of 24,430,796 Ordinary Shares at 245p each</p> <p>Joint Underwriter and Broker UBS Limited</p>
			<p>June 1994</p> <p>Pharmacia AB</p> <p>US\$500 million Syndicated Revolving Credit Facility</p> <p>Joint Arranger Union Bank of Switzerland</p>	<p>November 1994</p> <p>SHV Energy Holdings UK Limited</p> <p>£130 million Term Loan Facility</p> <p>Lead Manager Union Bank of Switzerland</p>	<p>August 1994</p> <p>Tesco PLC</p> <p>£247 million acquisition of Wm Low & Company PLC</p> <p>Broker UBS Limited</p>	<p>November 1994</p> <p>Unilever NV</p> <p>US\$200 million 8% Bonds, due 1999</p> <p>Joint Lead Manager UBS Limited</p>
			<p>June 1994</p> <p>Philips Electronics NV</p> <p>US\$ 2.5 billion Revolving Credit Facility</p> <p>Senior Lead Manager Union Bank of Switzerland</p>	<p>December 1994</p> <p>Singapore Telecommunications International Limited</p> <p>Purchase of StjärnTV from City of Stockholm</p> <p>Adviser UBS Limited</p>	<p>September 1994</p> <p>The Halifax Building Society</p> <p>£250 million 8.75% Bonds, due 1997</p> <p>Joint Lead Manager UBS Limited</p>	<p>September 1994</p> <p>Union Fenosa S.A.</p> <p>US\$100 million Syndicated Term Loan</p> <p>Co-Arranger and Agent Union Bank of Switzerland</p>
			<p>December 1994</p> <p>Prospect 1 (HFC Bank)</p> <p>£162.775 million securitization issue</p> <p>Lead Manager of £144.6 million Senior Notes Lead Manager and Sole Underwriter of £18.175 million Mezzanine Certificates UBS Limited</p>	<p>October 1994</p> <p>Stadshypotek AB</p> <p>Offering of Class A Shares at SEK 92 each</p> <p>Co-Lead Manager UBS Limited</p>	<p>November 1994</p> <p>THK, Co., Ltd.</p> <p>SFr 100 million 2¼% Convertible Notes due 1999</p> <p>Lead Manager Union Bank of Switzerland</p>	<p>June 1994</p> <p>UPF Group plc</p> <p>Flotation, Placing of 17,878,864 Ordinary Shares at 108p each</p> <p>Adviser and Broker UBS Limited</p>
			<p>April 1994</p> <p>P.T. Indofood Sukses Makmur</p> <p>US\$500 million Exchangeable Bonds due 1997</p> <p>Lead Manager UBS Limited</p>	<p>January 1994</p> <p>Stora Kopparbergs Bergslags AB</p> <p>US\$102 million Senior Notes</p> <p>Placement Agent UBS Securities Inc</p>	<p>September 1994</p> <p>Thomson-Brandt International BV</p> <p>FFr 1 billion 7.5% Bonds, due 1997</p> <p>Joint Lead Manager UBS France S.A.</p>	<p>March 1994</p> <p>Vodafone</p> <p>£33.3 million vendor placing of 5,910,166 Ordinary Shares at 564p each</p> <p>Broker UBS Limited</p>
			<p>November 1994</p> <p>Renault</p> <p>International Offering of 24,784,383 Ordinary Shares at FFr 176 each</p> <p>Joint Lead Manager UBS France S.A.</p>	<p>June 1994</p> <p>Südelektro Holdings AG</p> <p>Rights Issue of 150,000 Bearer Shares at SFr 1,000</p> <p>Lead Manager Union Bank of Switzerland</p>	<p>February 1994</p> <p>TransAtlantic Holdings PLC</p> <p>£250 million 5½% Convertible Bonds due 2009</p> <p>Lead Manager UBS Limited</p>	<p>May 1994</p> <p>Vymura PLC</p> <p>Flotation Placing of 16,046,468 Ordinary Shares at 150p each</p> <p>Sole Broker UBS Limited</p>
			<p>July 1994</p> <p>Republic of Italy</p> <p>US\$4 billion Global FRN, due 1999</p> <p>Joint Lead Manager of US\$1.5 billion tranche UBS Limited</p>	<p>August 1994</p> <p>Sulzer AG</p> <p>SFr 116 million 2% Convertible Bonds due 1999</p> <p>Lead Manager Union Bank of Switzerland</p>	<p>February 1994</p> <p>Tring International Group PLC</p> <p>Flotation, Placing of 21,186,440 Ordinary Shares at 118p each</p> <p>Adviser and Broker UBS Limited</p>	<p>April 1994</p> <p>Winterthur Finance Ltd.</p> <p>SFr 300 million 2¼% Bonds with Warrants, due 1999</p> <p>Lead Manager Union Bank of Switzerland</p>
<p>March 1994</p> <p>Vymura International plc</p> <p>US\$250 million 364 day Revolving Credit Facility</p> <p>Joint Arranger Union Bank of Switzerland</p>	<p>September 1994</p> <p>Nutreco</p> <p>US\$340 million senior acquisition debt and working capital facilities for the US\$550 million MBO from BP</p> <p>Joint Arranger Union Bank of Switzerland</p>	<p>May 1994</p> <p>Oy Rettig Ab Mylllykoski Oy (and other shareholders)</p> <p>Sale of 26.9% of Oy Partek Ab to Aker a.s.</p> <p>Adviser UBS Limited</p>	<p>June 1994</p> <p>Republic of Portugal</p> <p>DM 2.5 billion Global FRN, due 1999</p> <p>Joint Lead Manager UBS Frankfurt AG</p>	<p>May 1994</p> <p>Tate & Lyle PLC</p> <p>£100 million 8% Bonds, due 1999</p> <p>Joint Lead Manager UBS Limited</p>	<div>  <p>UBS</p> </div> <p>All these transactions appear as a matter of record only. UBS Limited is a member of the SFA. UBS Limited, 100 Liverpool Street, London EC2M 2RH.</p>	

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SIEMENS

Information for Siemens shareholders

Industrial business revives Growth spreads to Germany – restructuring continues

In the first quarter of fiscal 1995, the reviving German economy boosted domestic business for the first time in two years. Significant growth was also achieved in most other countries in the European Union. The components sector again showed high growth rates, and solid increases were also recorded in the industry segment as well as by Siemens Nixdorf. Overall, new orders rose 4%, sales 7% and net income 8%.

Orders

During the period under review, Siemens received new orders totaling DM22.2 (1994: DM21.4) billion. Orders in Germany rose 5% to DM8.6 (1994: DM8.2) billion. Despite unfavorable exchange rates, international orders increased 3% to DM13.6 (1994: DM13.2) billion. Whereas growth in 1994 had been boosted 33% by several major projects and the consolidation of Osram Sylvania, the increase this year was generated less by large projects than by a surge in the standard products business. Orders from Germany's European neighbors were up more than 20%.

Sales

In the first three months, worldwide sales rose 7% to DM18.5 (1994: DM17.3) billion. Here, too, growth was largely attributable to the expanding German economy. Sales in Germany showed a solid 16% increase to DM8.3 (1994: DM7.2) billion, bolstered by the billing of several major projects. International sales, at DM10.2 (1994: DM10.1) billion, sustained their previous year's high level. As with new orders, unfavorable exchange rates burdened growth by three percentage points.

Business segments

The operating groups in the industry business segment profited most from the economic upswing in Germany and Western Europe. The Automation Group in particular, along with the Industrial and Building Systems and Drives and Standard Products Groups, benefited from increasing capital investments by European industry and recorded in part double-digit growth in orders. Siemens Nixdorf Informationssysteme AG also showed above-average growth in its German and international business. The components segment continued to expand, and the Automotive Systems Group again posted a significant increase in orders. The Transportation Systems Group, on the other hand, wasn't quite able to match its previous year's high level of orders fueled by major international projects. The same was true for the Power Generation Group (KWU). The Private Communication Systems and Public Communication Networks (ÖN) Groups recorded double-digit growth rates in their international business, enabling ÖN to offset declining orders in Germany.

Employees

With the beginning of the fiscal year, part-time employees were counted arithmetically rather than as full figures. Following this recalculation, the number of employees worldwide totaled approximately 376,000 at 30 September 1994. Although consolidation of newly acquired companies on 1 October 1994 raised this total by 3,000, the increase was offset by a reduction of 3,000 jobs during the first quarter. At 31 December 1994, Siemens had a total of 376,000 employees.

Capital spending and net income

Net income after taxes rose 8% to DM448 (1994: DM415) million. Earnings in the first quarter were again burdened by high restructuring costs, which included the decision to close the uranium processing facility in Hanau: the resulting charges will be distributed over the full year. These negative factors were more than offset, however, by improved results from continuing operations.

	1/10/93 to 31/12/93	1/10/94 to 31/12/94	Change
DM billion			
Orders	21.4	22.2	+ 4%
German business	8.2	8.6	+ 5%
International business	13.2	13.6	+ 3%

	1/10/93 to 31/12/93	1/10/94 to 31/12/94	Change
DM billion			
Sales	17.3	18.5	+ 7%
German business	7.2	8.3	+ 16%
International business	10.1	10.2	0%

	30/9/94	31/12/94	Change
'000s			
Employees	376	376	0%
German operations	217	215	- 1%
International operations	159	161	+ 2%

	1/10/93 to 31/12/93	1/10/94 to 31/12/94	Change
Capital expenditure and investments DM billion	1.0	1.1	+ 5%
Net income after taxes DM million	415	448	+ 8%

unaudited accounts

Siemens AG, Berlin and Munich

NEWS: UK

Maxwell creditors may soon receive up to 17%

By Jim Kelly
Accountancy Correspondent

Creditors of the failed Maxwell Communication Corporation may soon receive a first dividend payout as high as 17 per cent, says a report from the administrators published yesterday.

Price Waterhouse said it was applying immediately to the courts for leave to pay about 8,000 creditors a first dividend as substantial assets were now available following a series of court rulings.

Mr Alan Jamieson, for the administrators, said: "The announcement that we are close to making this distribution marks real progress in our efforts to deal with the pension claims and to release money to be paid to creditors."

Earlier this month attempts to secure a global settlement between banks and pension funds entangled in the collapsed Maxwell empire failed.

A fresh round of talks is planned, aimed at reaching a less ambitious settlement.

Creditors have had to wait for a first dividend because pension funds related to the former business empire of Robert Maxwell have sought to recoup their losses by claiming that some of MCC's assets belong to them.

Progress to a first dividend has been possible because the administrators have been able to block most of these "proprietary" claims on the assets by pension fund trustees and managers.

Yesterday's report says that about \$512m should be available for distribution within two months of a decision by the UK authorities that funds can be paid out. The eventual dividend is likely to be between 35 per cent and 45 per cent against claims of between \$3.2bn and \$3.5bn.

The first dividend of 17 per cent is an improvement on that

estimated in the last report to creditors published in July last year which suggested 6 per cent. The final dividend will be between 33 per cent and 43 per cent. Not all the funds are being paid out because the administrators need to keep reserves in case of successful specific claims in the future. In total \$233m has been set aside for the first dividend to meet claims.

A reserve of \$41.5m has been made in connection with claims related to dealings in shares of Beecham Group, the drugs company, in 1986-87. A further sum of \$48m is being held in reserve "in relation to a non-pension related proprietary claim alleging that MCC received the proceeds of disposal of assets belonging to a third party."

The level of eventual payments to creditors will be affected by court actions which have yet to conclude.

UK NEWS DIGEST

Labour sets out need for EU reform

The opposition Labour party yesterday put the rights of nation states at the heart of a wide-ranging reform programme for next year's European Union intergovernmental conference to review the implementation of the Maastricht treaty. Setting out the party's approach to the conference, Mr Robin Cook, shadow foreign secretary, ridiculed the Conservative cabinet's agreement to veto constitutional change as a desperate move to rebuild Conservative unity. He contrasted Labour's "positive" approach to the EU, with the government's determination "to torpedo the agenda of other nations because they have no agenda of their own for the future of Europe."

But in language akin to that used by Conservative Eurosceptics, Mr Cook ruled out a common EU foreign and security policy, and warned that Labour would not accept a single currency unless UK industry was able to compete.

"Europe must be a community of free member states. Labour rejects the concept of a European super state," he said. "The EU must be based on a sharing of national interests and not on the surrender of national identity."

Kevin Brown, Westminster

Angry Names attack self-regulation system

The system of self-regulation at Lloyd's of London's was largely to blame for disastrous losses and its tight financial situation, a House of Commons inquiry into regulation of the insurance market was told yesterday. Groups representing some of the worst-hit Lloyd's Names (individuals whose assets have traditionally supported the insurance market) urged the all-party Treasury committee to back a stronger, independent system of regulation despite reforms in the past few years.

Mr Christopher Stockwell, chairman of the hardline Lloyd's Names Associations' Working Party, said a "false market" had been created in the 1980s when 20,000 new Names had been recruited as part of a deliberate expansion plan. He said senior members of the market knew about problem from US asbestos claims as early as 1982.

The so-called insurance "spiral" - by which underwriters covered others against excessive losses from catastrophes - led to profits for some senior figures but massive losses for outside Names. The principle had been that "the closer you are to the top of the building, the higher your rate of return," Mr Stockwell said. *Ralph Atkins, Insurance Correspondent*

Trade partnership with Cuba announced

Moves to strengthen trade and investment links between Britain and Cuba were announced yesterday in London. An agreement signed by Mr Ian Taylor, UK minister for trade and technology, and Mr Jose Luis Rodriguez, Cuba's minister for finance and prices, will protect existing and future British investment in Cuba.

The Department of Trade and Industry also announced the formation of a British partnership scheme for Cuba - with an initial budget of £150,000 (\$228,000) a year - to help fund small projects and offer British consultancy advice. A 38-strong British trade mission will go to Cuba on February 5. *Michael Cassell*

Modernisation plan for Birmingham

SPP-LET, the Swedish-owned property group, is seeking support for a £180m (\$288m) programme to modernise the Bull Ring, the 1960s shopping centre and cylindrical office building which many see as the undignified symbol of Birmingham city centre. Mr Graham Cole, the company's investment manager, said yesterday that an application for planning permission would be presented to Birmingham City Council within two weeks.

This will be the fourth attempt by the company, which owns the lease to the Bull Ring, to produce a scheme which satisfies not only the planning authorities, local civic groups and market traders but also potential financial supporters.

A rapid granting of planning permission would allow SPP-LET to start construction next year. Before then the company will seek a development partner. *Paul Cheeseright, Midlands Correspondent*

Small manufacturers report exports boost

Manufacturing companies with up to 200 employees are recording the strongest increase in export orders for almost 10 years, a survey by the Confederation of British Industry and accountants Pannell Kerr Forster finds.

This rising trend in export orders is set to continue in the next four months, the monthly survey of small businesses forecasts. Growth in total orders and output in the last four months increased at the fastest rate since 1988, although the rate of increase is expected to slow slightly over the next four months. *Richard Courney*

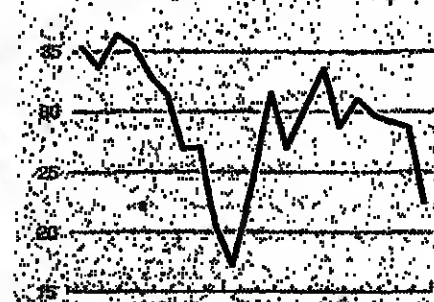
Homebuyers shun housing market

Thousands of prospective first-time homebuyers appear to have stayed away from the UK housing market in the last three months of 1994, according to figures on mortgage lending by banks released yesterday. The numbers show that in the final quarter of last year, mortgages approved for first-time buyers represented under 40 per cent of loans agreed: in the last three months of 1993, they had been half the total.

This sharp drop in first-time buyers comes as the housing market is already depressed, with signs of the fragile recovery last year having faded. Some of the fall is due to a loss of market share by the high street banks, but it also appears to show that many potential first-time buyers are not entering the housing

Banks' mortgage lending

New mortgages approved, excluding building societies ('000)



market. In the last three months of 1994, banks approved 60,800 new loans, of which just over 31,000 went to first-time buyers. The corresponding figures for the end of 1993 were 74,300 and just over 37,000. *Alison Smith*

BBC pop radio loses listeners

Radio 1, the BBC's ailing flagship pop music station, lost more than 3m listeners in 1994, according to latest radio audience research.

News of the decline in Radio 1's audience, which fell to an average of 11m weekly listeners in the final quarter of 1994 from 14.3m in the same period the previous year, comes on the eve of a £2m advertising campaign to relaunch the station. The commercial sector overtook the BBC in the third quarter of last year and kept its lead during the fourth quarter with an average weekly audience of 28m against 27.8m for the BBC. *Alice Rowsthorn*

Law school seeks private-sector funds

The Nottingham Law School, a department of Nottingham Trent University in the English Midlands, plans to become the first department of a British university to raise equity capital from the private sector. It is planning a share issue with 31, the UK investment capital group.

The law school is already a limited company wholly owned by the university, which will limit the difficulties issuing shares. Its annual turnover is about £4m (\$6.35m). The school's future plans include courses on trial advocacy. It has already signed agreements with the National Institute of Trial Advocacy in the US, and intends to expand further. *John Authers*

Machine tool exports rise by 11.5%

Exports of machine tools from the UK rose 11.5 per cent to £262.2m (\$416.89m) in the first nine months of last year, helped by improved trading conditions in most EU countries.

Imports rose by only 2.1 per cent, to £247.8m, giving an overall trade surplus of £14.4m compared with a deficit of £7.6m in the first three quarters of 1993. The Machine Tool Technologies Association said the small rise in imports marked a sharp fall in machines coming from Japan, and to a lesser extent from Germany, due partly to currency factors. *Andrew Boxer*

NEWS: UK

Intimidation is alleged at factory

Car company sends warning to 'troublemakers'

By Robert Taylor, Employment Editor

Troublemakers are trying to wreck the performance of Peugeot Talbot's Ryton plant in the English Midlands, the French-owned vehicle group said yesterday.

A "small number of people" was "working against us," Mr J.C. Play, manufacturing director at Ryton, said in a letter to the company's 4,000 UK employees on the eve of a strike ballot over pay. An "extremely serious situation is developing" at the plant and production was falling behind, he added.

The company had been disappointed at the lack of response among workers to offers of weekend overtime. Moreover, employees who had been asked to work overtime had been subjected to "harassment and intimidation," he added. "We consider such behaviour to be gross misconduct and will take the appropriate disciplinary action."

"We acknowledge that tensions are running high at the moment, but we still believe the vast majority of our employees want the plant to be a success and would not willingly or knowingly do damage to our performance. We cannot allow the actions of a few to jeopardise our reputation and future success."

He said car assembly had fallen "badly behind the programmed level of 2,000 units a week; at the same time, cars

coming off the production line are going into the off-track float at an alarming rate with the result that the float is heading towards 1,000 vehicles.

"This situation not only damages our reputation with the parent company but also involves our customers in our problems by extending the time they must wait for their cars," added Mr Play.

He said absenteeism was running at "unprecedented levels on some days, particularly in car assembly; this is unacceptable and we will have to take appropriate action against those involved."

Management concern is also growing over the outcome of the strike ballot that begins today. "We either make an agreement that represents the maximum offer we can make or face the prospect of drifting into a pointless strike in which the only winners will be our competitors," said the company's managing director Mr R.D. Parham in a further letter to employees.

The ballot, which begins today, is on an offer of a 3.5 per cent basic pay increase this year with an extra £2 (\$3.17) a week for an estimated two-thirds of manual employees followed by a wage increase of 4 per cent or the inflation rate whichever is the greater. There are further shift and merit bonuses. The company says the offer will mean average rises of 5.83 this year for production workers on annual average salaries of £12,699.

Strength ebbs away from fragmented workforce

Andrew Bolger is wary of sharing the cautious optimism among unions that their decline will slow

An estimate by the Trades Union Congress that the total membership of unions affiliated to it fell by 6 per cent last year to less than 7m might be just another stage on British unionism's long path of decline.

However, Mr John Monks, TUC general secretary, is cautiously optimistic. He said recent signs of a move away from casualised work because of growing skill shortages in the economy could lead to a recovery in union membership.

The TUC has suffered a drop of more than 40 per cent in membership of unions affiliated to it from a post-1945 peak of 12m in 1979, the year in which the Conservatives led by Mrs Margaret Thatcher came to power.

Unions have since been the target of a steady flow of hostile legislation from successive Conservative administrations determined to shift the balance of power between employers and unions. Yet while unions have certainly suffered from a hostile political climate, the main reason for their decline has had much more to do with long-term changes in the British economy.

Unions were most strongly

represented in the traditional industries - such as coalmining, shipbuilding and steel - which have shrunk fastest since 1978. Managers in areas of the economy that have grown - services, small businesses and newer industries such as computers - have few links with unions, and are often hostile to them.

The sharp rise in unemployment during the 80s fell heavily on factory workers: always a bastion of trade unionism. Unions have continued to suffer since then from the shake-out of employees that followed privatisation of British Telecommunications, electricity generators and water companies.

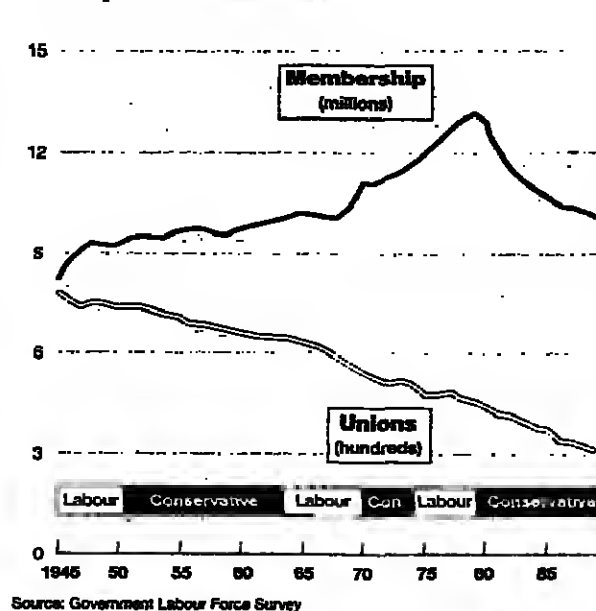
The recent strong recovery by the UK economy and the sharp fall in unemployment offers some respite to beleaguered unions. But it is not clear whether they will be able to buck the long-term trend of decline, which has persisted through recent economic cycles. The GMB general union, one of the UK's biggest, said its membership was rising slightly - mainly through recruitment of more part-time workers - a growing proportion of the workforce. However, the Transport and General Workers' Union, once the biggest in Britain, said: "We are still losing jobs in the core industries in which we are organised, but at a much slower rate than at the depth of the recession. We could not say we've reached a turning point, because we still face a hostile legislative environment."

The TUC said it was difficult to envisage a general upturn in membership until there was a change in government policy. But union leaders would be wise not to expect too much from an incoming Labour government.

Labour fought the 1992 election committed to a significant reversal of Conservative legislation in this area. But Mr Tony Blair, who became leader of the party last year, has been careful to give very few specific pledges.

A more important test for the unions is whether they will be able to recruit and organise in the growing areas of the economy - such as contract workers, part-timers and teleworkers - which lie beyond their traditional spheres of influence. This priority was demonstrated last week at the

Union power nosesdives



The figures above cover all unions, including the minority outside the Trades Union Congress; the party names are those of governments in power

launch of the Communication Workers Union, Britain's sixth-largest. It was formed by a merger of the Union of Communication Workers, representing Post Office employees, and the National Communications Union, whose members work for British Telecommuni-

cations. Leaders of the new union admitted they had been accustomed to working in a "fairly cosy" environment, where new employees of the Post Office and BT joined almost automatically. The CWU will put considerable resources into active recruit-

Mrs Virginia Bottomley, health secretary, yesterday challenged the opposition Labour party to show that the interest of the public and not trade union dogma was dictating its policies for the state health service.

She said the party's MPs who speak on health policy should renounce sponsorship by unions. Although doctors and surgeons belong to professional associations, the health service like other parts of the public sector remains an area of union strength, with strong membership among nurses, ambulance crews and auxiliary staff.

"I believe it is important that the Labour party puts itself above any suspicion that its policies are dictated by the trade unions and formulated to meet their interests rather than the interests of the users of public services," said Mrs Bottomley. She was speaking on the eve of a House of Commons debate about health policy.

ment - an area which was previously neglected.

Mr Tony Young, joint general secretary of the CWU, said: "We have to reach out to non-unionists such as couriers, teleworkers and employees of cable TV companies. These are the industries of the future."

Honda to buy Rover diesel engines for Accords

Honda, the Japanese carmaker, is to buy a new range of diesel engines designed and developed by Rover Group, the UK carmaker taken over by BMW of Germany a year ago, John Griffiths writes. Rover, which was partnered by Honda until the takeover, is investing some £20m (\$26m) in the engine range, which will go on sale in March in Rover's 600 series.

Production of the engine, one of the group's most significant engineering developments for several years, is planned to reach 100,000 units a year.

It will enable Rover to replace Peugeot diesels used in its 200/400 models and will be used to power versions of a new small four-wheel-drive leisure vehicle to be produced by the group's

Land Rover subsidiary. It will also give Rover the chance to expand sales in European markets such as France where diesels account for 60 per cent of sales in the upper-medium saloon car section in which the 600 range competes.

Rover executives say the engine development represents a clear answer to critics who have suggested

that the formerly state-owned group might no longer have the technological and engineering resources to develop sophisticated power units.

Honda is buying the diesel engines for its Accord models, which are built at its plant in western England. Rover versions of the Honda Civic, to be produced at Rover's Longbridge plant under licence, will replace Rover's

current 200/400 models. Production of the new engine will help create 300 more jobs at the Land Rover engine plant at Solihull, near Birmingham.

By the end of this year the plant will have been expanded to become the sole source of diesel engines for Rover cars and Land Rover four-wheel-drive vehicles. Rover produced 320,000 engines last year.

Manager fined £20,000 for 'most serious' dishonesty

By Jim Kelly, Accountancy Correspondent

The operations manager in the London office of a German regional bank has been fined £20,000 (\$31,700) after regulators uncovered a blatant catalogue of dishonesty which was "one of the most serious of its kind."

Mr Andrew Rooke, who was "unwilling to return" from a trip to Russia to face a tribunal according to the Securities and Futures Authority, was dismissed by Bayerische Landesbank Girozentrale in 1993. He had told his lawyers that BLG would pay him £1m. The bank had not made the payment and "had no reason to do so", said the SFA.

The authority, which regulates investment markets, investigated and found that Mr Rooke had given false and mis-

leading information in his application forms to the regulator and the bank.

He had claimed, without justification, to be a chartered accountant, to have seven school exam passes at A level, to have Italian professional qualifications and to have actuarial and taxation qualifications. The SFA added that he had failed to disclose that in 1987 he had been convicted of eight offences including obtaining property by deception, forgery and the use of false documents. A further eight offences had been taken into account.

An SFA tribunal decided that Mr Rooke "had concealed the recent conviction deliberately and was blatantly dishonest in misleading his employers and the SFA." He was given the exemplary fine of £20,000 plus £5,000 costs and was expelled from SFA registers.

The police have been informed.

In a separate case Mr Peter West, an SFA-registered futures and options representative with US broker Bear Stearns International, was expelled from the SFA registers and required to pay costs of £24,160.

In 1993 the Securities and Investments Board acted against Mr West over the conduct of investment business without authorisation. The SFA also investigated and found that Bear Stearns knew nothing of Mr West's activities.

It found however that Mr West had conducted a "shadow business" from Bear Stearns, had arranged for potentially relevant documents to be destroyed, had obstructed the SFA investigators and had given false and misleading answers.

Opposition to mail monopoly is disclosed

By Andrew Adonis, Public Policy Editor

A clear majority of people would like to see greater competition in mail services although they oppose privatisation of the Post Office, says a survey commissioned by the Consumers' Association. The poll of consumer attitudes shows that 56 per cent of respondents favour breaking the Post Office monopoly over the delivery of letters stamped at less than £1 (\$1.59), with 40 per cent against.

Mr Philip Cullum, policy research director at the Consumers' Association, said there was an "urgent need" to open postal services to greater competition in order to provide a better and cheaper service.

He claimed that daily letter deliveries, and other essential aspects of the mail industry such as rural services, could be guaranteed by a strong independent regulator. He dismissed arguments raised against competition as "fairly unsophisticated".

"It is not clear why the market for post should be expected to be incapable of coping with universal service when competition is permitted," Mr Cullum added.

He cited the recent record of British Telecommunications, a former state utility that was once part of the Post Office. Although BT faced strong competition, Mr Cullum said, it was still obliged to provide a nationwide service at regulated tariffs.

Private cash may help to fund next nuclear station

By David Green

Britain's next nuclear power station may be financed partly as a joint venture between two or more electricity generating companies. Nuclear Electric, the state-owned generator, wants private-sector partners to share the equity stake in a new project.

Efforts are being made to interest electricity generators from several countries in the venture.

Sizewell B on the east coast of England, Britain's first pressurised-water reactor nuclear power station, is due to start operating today after completing its seven-year construction within its £2.03bn (\$3.16bn) budget.

However, the future for nuclear power in the UK is uncertain. The government review, which was due to be completed in November last year, and is now not likely to appear before March, will decide whether the nuclear industry should remain in public ownership.

If the review opens the way for further expansion, Nuclear Electric - which runs the nuclear power stations of England and Wales - will build either a Sizewell C, a twin-reactor pressurised-water reactor costing an estimated £3.5bn, or a single-reactor PWR next to an existing station at Hinkley Point on the west coast of England. That station would cost about £2bn.

The choice between the two will depend largely on the response to a financing package being drawn up by Nuclear

International Combustion, the Derby-based unit of Rolls-Royce Industrial Power, has won two orders for a total of five boilers at UK combined-cycle power station developments, Andrew Baxter writes. RR would not put a value on the orders, but it is understood they are worth about £50m (\$79.5m) in total. They are for heat-recovery steam generators, which use waste heat from a gas turbine to create steam for a second turbine. Four of the HRSGs are for National Power's Didcot B station in southern England, and the fifth is for a power station at Kings Lynn to be operated by Anglian Power Generators.

Electric with N.M. Rothschild, the merchant bank. The government has already indicated that taxpayers' money will not be available for further nuclear power stations.

Mr Brian George, engineering director at Nuclear Electric, said yesterday that an equity share in a new nuclear plant could prove a good long-term strategic investment for other utilities.

The investment might give a modest return, based on today's market prices, but it would protect partner utilities against a "green shock" - the possible introduction of a carbon tax or other financial measures to curb air pollution from fossil fuels.

If the government review rules against nuclear power expansion, Nuclear Electric will consider investing in gas-fired generating plant.

Take a close look at this picture.

What did you see first, the faces or the vase?

To us, this test illustrates two things. The obvious isn't always so obvious. And if you look hard enough you will see things others don't.

This is how we approach our customers' power generation challenges - with an open mind. Where others see a dead end, we look again. And sometimes find a possible way out.

It doesn't mean we're smarter. It simply means we don't give up. Some call it stubbornness, others commitment. No matter what you call it, this spirit keeps us motivated and one step ahead.

WÄRTSILÄ DIESEL
GROUP

The Wärtsilä Diesel Group, originally from Finland, manufactures engines for marine propulsion and power plants for electricity and heat. Our commitment has made us pioneers in heavy fuel, gas-diesel technology and emission control, only to mention a few areas. Today the Group is a global leader in diesel engines, with 6,000 employees in 80 countries. Net sales in 1993 exceeded 1.3 billion USD.

The Wärtsilä Diesel Group is part of the Metra Corporation.

MANAGEMENT

Japan's rice farmers are in trouble because of a long-term decline in sales and the government's recent decision to open their costly protected market to cheap imports.

The same, one might think, should apply to all their suppliers. Not so, Satake, a family-owned engineering business, based in the lush rice-growing hills around Hiroshima, is thriving as the world's largest maker of rice milling machines, with 90 per cent of the Japanese market and a slightly smaller share of the world business.

Undeterred by the yen's sharp rise, identified by the Organisation of Economic Co-operation and Development as the biggest threat to corporate Japan's recovery, Satake has held its market share steady for many years. It will increase pre-tax profits this year to ¥48.8bn, from ¥38bn in the 12 months to last March, on sales up from ¥51bn to ¥59bn, of which 15 per cent is overseas.

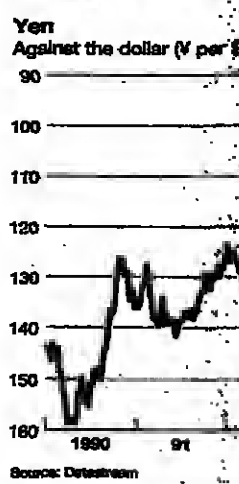
The textbook methods it has used show why many of Japan's fleet-footed, smaller companies are adjusting to the yen's rise and aftermath of recession better than more bureaucratic multinational brethren.

The secret of Satake's survival is its dogged pursuit of the simple strategy, dating back to the group's foundation in 1896, of keeping the barriers to entry in its business high. Satake does this by taking out 200 patents per year on its designs. Surprisingly, it is not all that costly, with research and development running at just 3 to 4 per cent of annual turnover. "It is the main reason why it is hard for others to come into our business," says Robert Satake, 70, company president.

Discretion is another way to fend off the competition, mostly from two smaller Japanese rice milling producers and Kubota, the Osaka-based farm machinery maker. To minimise the information Satake has to disclose, it is very unlikely the company will ever go for a stock market flotation, says the president. Satake's penchant for staying private has a cost. The company is more dependent on bank loans than listed companies, with their access to cheap equity capital. However, Satake's near century-long profit-history gives it access to debt on fine terms, especially now when Japan's commercial banks, burdened by dud property loans, are falling over themselves to lend to good industrial risks.

It might also help that Robert Satake - who came into the dynasty through marriage - originates from a distinguished commercial banking and ministry of finance family. Many companies have found that a representative of Japan's powerful banking industry on the board does them no harm.

Japan's currency



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BUSINESSES FOR SALE

STATE PROPERTY AGENCY

INVITATION TO TENDER

The State Property Agency is selling the state owned shares of the Northern Trans-Danubian Brick Industrial Co., formed from the Northern Trans-Danubian Brick and Tile Enterprise in a one-round open tender.

We beg to inform those who are interested that the registered capital of the Northern Trans-Danubian Brick Industrial Co. is 840.700.000 HUF, 100% of which will be sold. The tender is for the share packet of the value of 756.630.000 HUF, that represents 90%.

The Announcer guarantees the preferential purchase of the shares with the nominal value of 84.070.000 HUF for the employees.

Offers for up to 40% of the sales price of the share packet should be made only in cash. Offers for further 20% of the sales price should be made in compensation vouchers, (it is not obligatory for foreign investors), the rest of the sales price, but not more than 40% may be appropriated for the payment of state debt, so - in case of cash payment - E-credit may be obtained for it.

The tenders should be submitted to the given address in 5 copies, in a closed envelope, without naming the sender, and indicating the original copy.

The tenderer must undertake to maintain its offer for 90 days.

The deadline for submitting the tender: by 12-14.00 hours on the 5th April, 1995.

The address where the tenders should be submitted:

State Property Agency

1133 Budapest,

Pozsonyi-út 56. 8th floor, Room No: 804.

The tenders should be submitted on the spot in person, or by an authorised representative.

The State Property Agency reserves its right to declare the tender void.

Term of submitting the tender is the purchase of the detailed material of the invitation to tender containing also the detailed description of the announcement for 15.000 HUF + VAT in exchange of a statement on secrecy at the following address: SPA Information Office, 1133 Budapest, Pozsonyi-út 56. ground floor.

For further information please contact
Dr. Miklós Németh, senior counsellor,
SPA Industry Privatisation Management I.
Tel.: (+36-1) 269-8600/1285.

HUNGARY • PRIVATISATION GOES ON

Stephen Mark Quinn PCA and Alan John Sutton PCA Joint Receivers offer for sale as a going concern the business and assets of
CLUMBER ROAD GARAGE
in Fyfe, Cheshire. Principal features are:
• Freehold site, 0.7 acres
• Petrol, general repairs, MOT, accident and body shop
• PC-based diagnostic equipment
• Skilled and experienced workforce
• Local customer base
• Gross turnover approximately £20.5m
Further details available from Stephen Quinn or Matthew Beckley at Baker Tilly, Brazenose House, Lincoln Square, Manchester M2 5BL. Tel: 0161 834 5777. Fax: 0161 835 3242.

BAKER TILLY

Chartered Accountants
Authorised to carry on audit work and authorised to carry on investment business by the Institute of Chartered Accountants in England and Wales.

FOR SALE

FRANKFURT/MAIN GERMANY

FIRST-CLASS HOTEL
• 50 Rooms equipped with all mod. cons.
• Restaurant, Bar, Parking Facilities
• Prime Location close to Main Railway Station
• Easy access to Trade Fair, Shopping Centre, Motorway and Airport.
• Profitable Business
• For Sale due to retirement of proprietor
For further details please apply to Box 83834, Financial Times, One Southwark Bridge, London SE1 9HL.

BUSINESS FOR SALE

★ Distribution company
★ Long est./BS 5750
★ SE based
★ T/O £1.2m/Good G.P.
Price £400,000
Write to Box 83827, Financial Times, One Southwark Bridge, London SE1 9HL.

TEXTILE CO.

Soft Furnishings Co. for sale. Manufacture & Retail. Established, Brand Name, Turnover £5m, seeks merger ideally within similar sector. Send details of your Company and products to:
FINANCIAL CATALYSTS LTD., 7A Church Street, Southwell, Notts, NG5 0HQ.

CONTRACTS & TENDERS

GOVERNMENT OF THE STATE OF CEARÁ SECRETARIAT FOR URBAN DEVELOPMENT AND THE ENVIRONMENT (SOU) CENTRAL COMMITTEE FOR PROCUREMENT CALL FOR TENDERS
INTERNATIONAL COMPETITIVE BID FOR TENDERS N° 02/95
The Central Committee for Procurement, acting on behalf of the Ceará State Secretariat for Urban Development and the Environment, invites companies domiciled in Brazil or in any other member country of the Inter-American Development Bank (IDB) to participate in the International Competitive Bid for Tenders N° 02/95, whose purpose is to contract public works and services under the Basic Infrastructure Program for Public Health in the city of Fortaleza, Ceará, Brazil. The project to be tendered for is:

PROJECT	TERM
01 Decolouration of Jangurussu Landfill	270 days
Funding for the execution of the public works project described in this notice will be provided by the Basic Infrastructure Program for Public Health in the city of Fortaleza, with partial financing negotiated by the Ceará State Government with the Inter-American Development Bank (IDB). Contracts are to be in full accordance with the financing agreements N°s. 88/OC-BR and 89/2F-BR signed with the IDB on Dec. 9, 1992. Prerequisite documents and price proposals are to be delivered on May 4, 1995, at 4:00 p.m., at Rua Silva Paulet N° 324, Aldeota, Fortaleza, Ceará, Brazil. In two sealed envelopes containing: (Envelope A) Prequalification Documents and (Envelope B) Price Proposal.	
The full statement of the terms governing the call for tenders, for which there will be a charge of R\$ 50 (fifty reais), is available from the Secretariat for Urban Development and the Environment, located at the Governor Virgílio Távora Administrative Center, Cambebe, Fortaleza, Ceará, Brazil, in the period from Jan. 31, 1995 to May 3, 1995.	
Fortaleza, Jan. 31, 1995 THE COMMITTEE	

CHESHAM. BECAUSE YOU ONLY SELL YOUR BUSINESS ONCE.

And you want the right buyer. With confidential briefs from hundreds of acquisitive public company chairmen who are looking to buy successful, private companies worth £500,000 to £25 million, we ought to be able to help. So if you're thinking of selling your business, contact our Managing Director to arrange a confidential discussion.

CHESHAM AMALGAMATIONS

The first name in merger broking.
Chesham House, 2 Bentinck Street, London W1M 5RN.
Telephone: 071-935 2748

REPUBLIC OF MACEDONIA

for Transformation of Enterprises with Social Capital

Announces the public sale of tobacco enterprises

The rules of sale will be provided to prospective strategic investors upon request and offers for the companies must be received by the Agency by March 15, 1995.

Interested investors please contact the financial advisors of the Agency:

BARENTS GROUP PLC

Anton Stenroos
2001 M Street, N.W., Washington, D.C. 20036, U.S.A.
Telephone: (202) 321-4568. FAX: (202) 728-0548

FOR SALE

ESTABLISHED
WORKWEAR BUSINESS
£1.2m T/O profitable
with growth potential in
Eastern England.
Serious enquiries to
Fax: 01953 885091

BUILDERS

MERCHANTING COMPANY FOR SALE
Located Sussex with two Freehold branches. Only Principals need apply.
Write to Box 83831, Financial Times, One Southwark Bridge, London SE1 9HL.

OLD ESTABLISHED

SPECIALIST
Glass Processing Company for sale located North West England. Only Principals need apply.
Write to Box 83821, Financial Times, One Southwark Bridge, London SE1 9HL.

BRITISH SUPERCAR PROJECT
For sale the acclaimed GTD R42 project, to include:
▲ Chassis jig and body moulds
▲ Prototype car
▲ Key personnel
Fax Farnham, UK for details
+44 1703 233504

REPUBLIC OF POLAND
MINISTER OF PRIVATIZATION

Invites Tender Offers

Concerning Purchase of Shares in Share Capital of the Kalisz Concentrated Food Works "WINIARY" Joint-Stock Company

The Minister of Privatization, acting on behalf of the State Treasury of the Republic of Poland, in accordance with Art. 23 of the Law on Privatization of State - Owned Enterprises of July 13, 1990 (Dz.U. nr 51/90 Item 298 with further amendments) invites tender offers of potential investors interested in purchasing shares constituting at least 10% of share capital of "WINIARY" Joint Stock Company.

According to Art. 24 point 1 of the Law on Privatization of State - Owned Enterprises a stake of up to 20% of shares in share capital of "WINIARY" S.A. will be offered to the Company employees.

According to Art. 24 point 7 of the Law on Privatization of State - Owned Enterprises a stake of up to 20% of shares in share capital of "WINIARY" S.A. will be offered to agricultural producers linked with the Company by long-term contracts or cooperation agreements.

According to the Resolution of the Council of Ministers, no. 86 of October 4, 1993, a stake of 5% of shares in share capital will be retained by the State Treasury as the State Treasury Property for re-privatization purposes.

The Kalisz Concentrated Food Works "WINIARY" Joint Stock Company with the seat in Kalisz, Poland is the leading Polish manufacturer of concentrated food, particularly powder soups, fruit jellies and desserts, seasonings, powder creams, mayonnaise and salad dressings, baby and infant food, pastas.

Any requests and response of potential investors being interested in proceeding with this offer should be directed till February 10, 1995, 4:00 pm to the Polish Institute of Management, Ltd. (PIM) acting on behalf of the Minister of Privatization in this project.

Address: Polish Institute of Management, Ltd. (PIM)

02-691 Warsaw, St. Obrzeźna 7

phone (48 22) 47 51 73; (48 22) 47 55 61 ext. 434-436; fax (48 22) 47 50 53

e mail: pim@pim.msk.waw.pl

Transaction manager: Ms Jagoda Szonert.

Information on the Company profile will be distributed to potential investors after signing up the appropriate "Letter of Confidentiality".

The Minister of Privatization reserves the right to extend the period allocated to offer submission, reject submitted offers or not to undertake negotiations without explanation.

Press Mouldings Limited and Satellite Extrusions Limited

The Joint Administrative Receivers Peter Copp and Geoffrey Kinlan offer for sale the business and assets of the above companies involved in the moulding and manufacture of plastics.

- Freehold and leasehold premises in Soham, Cambs
- Manufacturing capacity of 5,000 tonnes per annum on three extrusion machines
- Product lines used in the motor trade and civil engineering industries
- Established customer base and order book
- The opportunity to exploit new product lines
- Skilled workforce
- 1993 turnover £1.4m. 9 months to September 1994 £.9m

For further information please contact Peter Copp or Geoffrey Kinlan, (ref: 7/PROC1) Tel: 0171-486 5888. Fax: 0171-935 3944.

IBDO

IBDO Stay Hayward
Corporate Recovery
and Insolvency



8 Baker Street, London W1M 1DA

BUSINESS OPPORTUNITY

The Joint Administrative Receivers, R M Withinshaw and G F Hilton offer for sale, as a going concern, the business and assets of commercial and colour printers, Richmond Press Limited.

- Current order book.
- Turnover £750,000 per annum.
- Plant & equipment.
- Skilled workforce.

For further information please contact Michael Hall at: Kiddons Insip, Devonshire House, 36, George Street, Manchester, M1 4HL. Tel: 0161 236 7733. Fax: 0161 236 7020.

A member of IIB International
Approved to carry out audit and valuation work in accordance with the provisions of the Companies Act 1985 and the Insolvency Act 1986.

FOR SALE OR LEASE

Fully equipped well maintained, 80, 000 sq ft factory on 6 acre freehold site in North East complete with:

- press capacity to 600T
- painting stoving lines
- turret pressure resistance welding, etc, etc.
- BS 5750 approved.

Specialist suitable for medium volume presswork, fabrication and assembly by contract. Management, technical support and trained workforce available. If required

Write to Box 83829, Financial Times, One Southwark Bridge, London SE1 9HL.

TRAILER BODY BUILDING & REFURBISHMENT BUSINESS Midlands

Specialist, well respected and equipped commercial vehicle body building and refurbishment business for sale as part of a Group rationalisation programme. Current turnover £2m. No Bank borrowings.

For further information please write to:
Box 83826, Financial Times, One Southwark Bridge, London SE1 9HL.

BUDGET HOTEL - HYDE PARK

Budget hotel, close to Marble Arch and Hyde Park. 42 bedrooms, most with en suite private facilities. High occupancy levels achieved all year round. Currently yields income of circa £200,000 per annum. Best offers over £1,300,000 considered. Telephone Ms. Carroll on 071-454 5093 for appointment

Latham Crossley & Davis

M.J.C. Oldham & P.S. Dunn
Joint Administrators

re: Mottik International Ltd.

Mottik

THE EXCITEMENT IS BUILDING

- Designers and manufacturers of well known and creative range of plastic bricks and connectors.
- Best Toy Award - Gold - 1994.
- Good Toy Guide - Gold - 1993.
- Best Toy Award/Best Construction Toy 1993.
- Patents, patent applications and trade mark registrations in major market areas.
- Export and home market sales.
- Business and assets for sale including goodwill, patents order book etc.

For further information contact Michael Oldham or Emma Rye

Latham Crossley & Davis
7 Kenrick Place, London W1H 3FF
Tel: 0171 935 5566 Fax: 0171 935 3512

English Plastics Ltd

(In Administrative Receivership)

The Joint Administrative Receivers offer for sale the business and assets of English Plastics Ltd. The company specialises in the manufacture of plastic injection mouldings.

- Fivehold Premises
- Manufacturing Plant
- Turnover of approx. £5 million p.a.

The company ceased manufacturing trading operations on 2nd January 1995.

For further information contact Mr Graham

Ord of Ernst & Young, EC1 Box No 1

3 Colmore Row, Birmingham B1 2DE.

Telephone: (0121) 632 6262 Facsimile: (0121) 632 6265

ERNST & YOUNG

Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

For Sale: Industrial Property and Equipment

AT OLD SARUM AIRFIELD, NEAR SALISBURY, WILTS

Formerly the Aerostructures Division of FLS Aerospace (Louvain) Limited. The freehold of the property comprising some 37,000 sq ft of hangar and office accommodation, together with all plant and machinery is offered for sale as a complete package. The facility is capable of operating in its original role of general engineering and manufacturing.

All enquiries to:

Mr W.A.T. Burgess

Managing Director

FLS Aerospace (Light Aircraft) Limited

Bournemouth International Airport

Christchurch, Dorset, BH23 6NW, England

Tel: 01202 500200 Fax: 01202 593271

Businesses For Sale

AN ESTABLISHED MIDLANDS BASED GROUP OF COMPANIES ARE SEEKING TO DISPOSE OF THE FOLLOWING ASSETS WHICH ARE SURPLUS TO REQUIREMENT DUE TO RATIONALISATION...

A CENTRALLY LOCATED HOTEL DEVELOPMENT

New build construction with above average occupancy and yield with further scope for on site expansion. This development also offers substantial food & beverage revenues.

This opportunity will suit established hoteliers or organisations from outside the industry seeking to acquire a successful hotel with an established management team.

INDUSTRIAL ESTATE WITH HEADQUARTER PREMISES WITH OFFICE, WAREHOUSE & SURFACED YARD/PANFANION LAND

On site, fully let, industrial estate investment properties are also available with this purchase.

FOR FURTHER INFORMATION PLEASE APPLY IN WRITING TO:
Box No. 3832, Financial Times, One Southwark Bridge, London SE1 9HL.

Electronic Manufacture/Assembly

To complement existing electronic security systems (installation and maintenance), F.C.B. manufacture and sheet metal fabrication activities we wish to acquire businesses concerned in electronic manufacture/assembly and design.

- UK Mainland based (ideally Midlands)
- Turnover £750K to £2m per annum
- Continuity of existing management and workforce
- Sound experience of products which employ microprocessor technology

Please contact: Chief Executive
Abel Group Limited
Deception House
4 Vaughan Way
Leicester LE1 4ST (Tel: 0533 654213)

PORT OPERATOR

FOR SALE
Providing stevedoring, warehousing, processing, road haulage and other services from a number of sites in the U.K.
Gross revenues over £8m. Good profits.
Solid asset backing and experienced management.
For further information write to:
James Carlisle, Chase Brothers Limited, 12 Appold Street, London EC2A 3AA

AIRCRAFT FOR SALE

AIRCRAFT FOKKER F.28 MARCHE I-TIAP and SPARE PARTS for above aircraft

Starting price: Lit. 500,000,000. Offers, in sealed envelopes, must contain a bid bond guaranteed by a banker's draft made out to the liquidators for the amount of 20% of the starting price, and must be received not later than 14 February 1995 at 7.00 pm at the address of the notary: Pietro Mazza - Via Dalmazia, 29 - 00198 ROME - Italy. Tel: +39-6-8411956.

Further information may be requested from the lawyers/liquidators:
Arr. Carlo Pietromucci tel: +39-6-3242838
Arr. Attilio Pacifico tel: +39-6-37517170

CONTRACTS & TENDERS

TENDER FOR
FINANCE OFFICE PAYMENTS SERVICES

The Employment Service would like to receive expressions of interest from any organisation which might wish to be invited to tender for providing finance office payment services to the Employment Service.

As part of its market testing programme, the Employment Service is seeking to award a contract for a range of types of claim for payment which need to be processed within specified timescales and levels of accuracy. Claims and/or invoices will be received by the contractor either from the ES or direct from Payees for logging, checking and clearing so that cleared claims reach ES for payment through the Financial Accounting Systems (FACS).

FACS uses Dun and Bradstreet Millennium software: Accounts Payable (AP), Purchase Order (PO) and General Ledger (GL), tailored to meet the needs of ES. It runs on an ICL mainframe situated in Runcom. The service provided by a contractor must be compatible with FACS in order to support the matching of invoices or other claims for payment against purchase orders/goods received notes or other forms of authorisation. The contractor must provide all necessary information to enable payments to be made to ES. Tenderers will be invited to propose the most effective way of meeting this requirement in response to the Invitation to Tender. A demonstration of the FACS systems will be provided for prospective suppliers and will take place in Sheffield on 17 February 1995. Tenderers who wish to attend the demonstration should contact the person named below for further details.

The service is currently provided by ES Finance Offices at three sites: Birmingham, Cardiff and Edinburgh. In 1993/94 some 650,000 claims for payment were transacted in 8 main categories. The sites cover the whole of England, Scotland and Wales and serve the ES network of 9 Regions and a network of over 1200 Jobcentres and other offices. Purchasing units in each Region form an integral part of FACS operations through Purchase Order. Tenderers may propose to use premises and equipment at any or all of the three existing sites (Birmingham, Cardiff and Edinburgh), but will not be required to do so.

As well as cost, key factors in the decision to award the contract would be the economically most advantageous tender to the ES, taking into account technical capability, response to requirements and proposals for delivering the service, and quality systems.

The ES wishes to enter into a 3 year agreement (with a possibility of a further extension of 2 years), which will be reviewed annually, and which is planned to commence in April 1996.

Organisations expressing interest should supply the following information:

Please provide the following information, ensuring that it is presented in accordance with the sequence and structure shown:

- The name of your company and the date the company was formed or incorporated;
- Are any directors, partners, company secretaries or any other person with a financial or management interest related to an employee of the Employment Department Group? If so, provide details;
- Initial proposals about locations, from which you would deliver the service;
- Details of your organisation's practical experience over the last 3 years in providing similar types of services of similar size and relevant reference sites (both private and/or public sector), with particular reference to handling claims for payment and network size/volume of transactions;
- Number of Management and Supervisory staff in the service area, their length of service (months), and your policy on the level of experience and skills needed by such staff in the service area;
- A copy of your organisation's Health & Safety policy;
- Details of your organisation's Equal Opportunities policy - if you have a written statement, please enclose a copy;
- Details of your organisation's staff training and development strategy;
- Details of the Quality Standard your company works to;
- Written authority on your headed notepaper for the Employment Service to seek references;
- The following financial information (all figures quoted in £ sterling):
 - a copy of the tendering organisation's last two financial years approved financial statements, or balance sheets if not required to keep audited accounts by the law of the country in which they are established, or other documentation as appropriate if the publication of balance sheets is not required by the law of the country in which they are established;
 - where the tendering organisation is part of a group;
 - details of the group structure;
 - financial statements for the ultimate holding company in line with details identified above;
 - a statement signed by a director or partner that no legal proceedings are in progress that might affect the performance of contract obligations, and that the prospective tenderer's organisation has not been prosecuted under EC or the organisation's national law in the last three years;
 - where the organisation is new, and has no past trading record or insufficient financial statements to cover the last two financial years, then, management accounts to date, and a minimum of a three year business plan is required.

This information will form the basis for the selection of a shortlist of companies invited to tender. Please do not include publicity and marketing material.

Service providers must submit a single tender for the Finance Office Payments Service.

A draft copy of the Statement of Service Requirement (Specification) may be issued to shortlisted suppliers for information and comment before issue of the Invitation to Tender. Shortlisted suppliers may also be required to undertake presentations.

Applications in writing only should be sent to the address below to be received no later than noon 27 February 1995; quoting reference 026. Correspondence which does not meet these deadlines will not be considered.

Bill Williams
Market Testing Unit, Employment Service,
Level 2, Mayfield Court, Sheffield S1 4ER.



INTERNATIONAL PEOPLE

Swissair's
finance
officer

■ Georges P. Schorderet, 41, joins Swissair as chief financial officer designate at the end of March. Schorderet, who has worked for Alusuisse-Lonza Holding for 26 years, will succeed Peter Nydegger, 62, as the airline's executive vice-president finance and development on January 1 1996. He joins Swissair in September.

■ Sergio Marchionne, 42, succeeds Schorderet as chief financial officer of Alusuisse-Lonza Holding. Marchionne was head of finance at Lawson Mardon in Toronto before its acquisition by the A-L Group. Since then he has been head of corporate development.

■ Kenneth I. Chenuit, 43, vice-chairman of American Express, Chenuit will continue to oversee the group's domestic card and travel business but takes on responsibility for brand management and advertising across the company. He will be the fourth member of Harvey Golub's chief executive's office.

■ Michel de Rosen to be chief executive of Rhone-Poulenc Rorer from April 25. De Rosen, a former chief executive of Rhone-Poulenc's fibres and polymers sector, has been president and chief operating officer of RPR since September 1993. Robert Cawthorn, RPR's current chief executive, remains chairman. John Sedor, president of Armour Pharmaceuticals, RPR's plasma protein company, has been promoted to executive vice president of RPR, adding responsibility for human resources and business development. Tim Rothwell joins from Sandoz Pharmaceuticals Corporation as an executive vice-president of RPR and president, pharmaceuticals operations.

■ Gerard Menjon, 46, director of research at Electricité de France, Menjon, deputy director of marketing development, replaces Paul Casseau who has been promoted to inspector general on the EDF board.

■ Win J. Neuger is leaving SunTrust Trust Company to be chief investment officer of American International Group (AIG). In his newly created role, Neuger will oversee AIG's worldwide investment portfolios and report to Edward E. Matthews, AIG vice chairman, finance.

■ Frederick W. Gluck, former chief executive of management consultants McKinsey & Co, an executive vice-president and member of the board of Bechtel Group, Gluck will take responsibility initially for Bechtel's global financial operations, Asia-Pacific regional activities, and its new strategic alliance function.

■ Thierry Desmarest, 49, senior executive vice-president of Total, president of Total's upstream activities. He will oversee all exploration and production, trading and shipping activities. Daniel Valot, 50, chairman and chief executive of Total Petroleum North America (TOPNA) will succeed Desmarest on July 1 as president of Total Exploration and Production. J.P. Vettier, president of Total Refining and Marketing, will be chairman of TOPNA and a chief executive will be appointed at a later date.

■ Brian Wilson, 49, director of strategic development AIB Group, parent of Ireland's biggest bank, joins the World Bank in mid-summer as a senior adviser. He will direct the World Bank's privatisation initiative for banks in developing countries.

■ Dominique Auburtin, 43, a non-executive director of AJO Wiggins Appleton, Auburtin, a non-executive director of Saint Louis, the French sugar and paper company, replaces Saint Louis chairman Bernard Dumon killed in an air crash on January 20.

■ Mitchell E. Blaser, formerly chief planning and technology officer at insurance brokers Marsh & McLennan, Incorporated, chief financial officer. Howard C. Green, deputy chairman of C.T. Bowring (insurance) and formerly director of global broking, head of operations processes and information technology.

■ Malcolm Macdonald, treasurer of the Ford Motor Company.

International
appointments

We hope to create in these columns a comprehensive listing of senior appointments in international companies. Please fax announcements of new appointments and retirements to +44 171 873 3826, marked for International People. Set fax to 'line'.

Ruling on
copyright work

EUROPEAN COURT

The European Court of First Instance, last week partially annulled a European Commission decision which rejected a complaint relating to alleged anti-competitive practices by the French copyright society.

The applicant, which represented a number of discounter operators, originally lodged a complaint with the Commission in February 1988. It alleged copyright societies in different member states shared the market among themselves by concluding reciprocal representation contracts under which the individual national societies were prohibited from dealing directly with users set up in other member states.

It also alleged the royalties charged by the French copyright society, Sacem, were excessive and that Sacem refused use of its foreign repertoire on its own, forcing users to acquire its entire French and foreign repertoire.

The Commission investigated, but the investigation was suspended after requests for preliminary rulings from French courts on related issues.

The European Court of Justice ruled article 85 of the Rome treaty prohibited concerted practice by national copyright societies by which each society refused to grant direct access to users in other member states. It also said article 86 of the treaty would be infringed if a national copyright society with a dominant position in a big part of the common market charged royalties which were appreciably higher than those charged in other member states, without objective justification for such differences.

After the ruling, the Commission resumed its investigation, focusing on the royalty rates in member states.

In a report based on this investigation the Commission found royalty rates in France and Italy were much higher than in other countries and that reasons given by Sacem to justify such rates were not entirely convincing.

Some six weeks after the report, the applicant formally asked the Commission to define its position and a month

later, in January 1992, the Commission said it would reject the applicant's complaint. A copy of the report was enclosed with the letter.

The Commission stated there was no basis for concluding the conditions for the application of article 86 were fulfilled and there was no Community interest in the complaint as the practices alleged were essentially national.

The Commission formally rejected the complaint in October 1993 and the applicant then asked the CFI to annul it.

The applicant argued, first, that the decision was not supported by an adequate statement of the reasons for it; second, that the Commission failed to make a determination on Sacem's pricing practices; and third, that the decision was vitiated by an error of law and a clear error of appraisal.

On the first point, the Court found the complaint had contained three allegations, the first relating to practices covered by article 85 and the other two relating to article 86.

The Commission decision rejected the complaint in its entirety without making a distinction between articles 85 and 86. The applicant submitted the Commission did not sufficiently state its reasons for rejecting the complaint insofar as it concerned the partitioning of the market resulting from the restrictive agreement between the various copyright societies in breach of article 85.

The CFI found that, although the decision mentioned the alleged restrictive agreement, it did not contain any reasons on why the applicant's complaint alleging partitioning of the market was rejected.

For this reason, it annulled the Commission's decision, insofar as it rejected the applicant's allegation that the market had been partitioned in breach of article 85. On the second point, the Court said under EC law the applicant was not entitled, as a right, to such a decision from the Commission. The Court said the submissions on error of law and manifest error of appraisal were not justified on the evidence.

T-114/93: R.E.M.L.M v Commission, CFI 2CH, January 24, 1995.

BRICK COURT CHAMBERS, BRUSSELS

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MAJOR BUSINESS OPPORTUNITY
FOR HOSPITAL STERILISATION
AND DISINFECTION SERVICES

Deadline: Thursday 9 February

A number of NHS hospitals in Greater Manchester who provide a full range of hospital and community medical services to a large proportion of the population in Greater Manchester are proposing to put their requirements for the above services out to tender. These hospitals have a complement of over 5,000 beds and treat approximately 300,000 patients per year.

The objective of the hospitals is to identify a private sector partner to facilitate the provision of their sterilisation and disinfection services to the highest standards in the most cost effective manner. Some hospitals will require a service as from April 1996 with other hospital requirements being phased in thereafter. It is anticipated that the private sector will determine the amount of funding required as well as providing the innovation, technology and expertise to deliver the hospitals' requirements. This is the first time such an opportunity of this nature has been available in the United Kingdom.

It is essential that interested parties attend the presentation and briefing programme at which potential bidders can gain a better understanding of the opportunity together with further details and an opportunity to ask questions. The date prospective tenderers must be available is:

14 FEBRUARY 1995.

Before you can be selected to receive an invitation to the presentation and briefing programme on the 14 February you must provide for pre-qualification a copy of your most recent audited accounts together with background information about your organisation no later than mid-day Thursday 9 February. As a minimum this information must include details of ownership and affiliations to other organisations, size of organisation, nature of business and key areas of activity.

The contact point for further information and for sending the minimum required information is either John Gregson or Michelle Bradley of Touche Ross Management Consultants, Abbey House, (PO Box 500), 74 Mosley Street, Manchester M60 2AT. Tel: 0161 228 3456 or Fax: 0161 237 5382.

Touche Ross & Co., is authorised by the Institute of Chartered Accountants in England and Wales to carry on Investment Business.



The Republic of Uganda

MINISTRY OF LOCAL GOVERNMENT

RURAL FEEDER ROADS MAINTENANCE PROJECT

(ADF LOAN F/UGA/ROD/92/30)

INVITATION TO TENDER FOR ROAD PLANT, VEHICLES AND EQUIPMENT

1. The Government of Uganda has been granted a loan from The African Development Fund (ADF) in various currencies towards the cost of the Rural Feeder Roads Maintenance Programme and it is intended that part of the proceeds of this Loan will be applied to eligible payments under the Contracts issued from the present invitation for Bids.
2. The Ministry of Local Government now invites sealed bids from eligible bidders for the supply of road maintenance plant, vehicles and equipment comprising, agricultural type tractors with trailers and accessory blade fittings, four wheel drive pickups, all terrain motorcycles, bicycles, assorted mechanical workshop equipment, pedestrian controlled vibrating rollers, hand tools and outboard motors in Lots as follows:

Lots	Item	Approximate Quantity	Description
Lot A	A01:00	27	Agricultural Tractors & Spares for Agricultural Tractors
	A02:00	1	Agricultural Tractor-Heavy & Spares for Agricultural Tractor-Heavy
	A03:00	42	Towed Scraper Blades & Spares for Towed Scraper Blades
	A04:00	24	Tractor Pusher Blades & Spares for Tractor Pusher Blades
	A05:00	56	Trailers & Spares for Trailers
Lot B	B01:00	24	Vibratory Roller (Light) & Spares for Vibratory Roller
Lot C	C01:00	704	Bicycles & Spares for Bicycles
Lot D	D01:00	159	Motor Cycles & Spares for Motor Cycles
Lot E	E01:00	10	Supervision Vehicles & Spares for Supervision Vehicles
Lot F	F01:00	22	Pick-ups & Spares for Pick-ups
Lot G	G01:00	2	Outboard Motors & Spares for Outboard Motors
Lot H	H01:00	16	Arc Welding Set & Spares for Arc Welding Set
Lot I	I01:00	16	Air Compressor & Spares for Air Compressor
Lot J	J01:00	16	Generating Set & Spares for Generating Set
Lot K	K01:00	39700	Hand Implements for Road Maintenance (Assorted)
Lot L	L01:00	400	Workshop Tool Items (Assorted)

Bidders are required to bid for all items in each lot for which a bid is made. Bidders are free to bid for one or more lots.

3. Only Suppliers from member countries of the African Development Bank (ADB) and participant States of the African Development Fund (ADF) are eligible to bid. All goods and ancillary services to be supplied must have their origin from member countries of the ADB or participant states of the ADF.
4. Interested eligible Bidders may obtain further information from and inspect the bidding documents at the office of the Programme Co-ordinator, in the Ministry of Local Government, PO Box 7037 Kampala, Uganda House, 5th Floor. Telephone: 256 (0) 41 241135 Telefax: +256(0)41 257692
5. A complete set of bidding documents may be obtained by any interested eligible Bidder on the submission of a written application to the above address and upon payment of a non-refundable fee of US\$ 100 or its equivalent in Uganda shillings. An additional amount of US\$ 50 or its equivalent will be payable if delivery of the bidding document is requested by courier service.
6. All bids must be accompanied by a security of 2% of the bid amount in a freely convertible currency in a form specified in Clause 16 of the instructions to Bidders in the bidding documents and must be delivered to the above office on or before 10.00 a.m. local time on the 20th April 1995.
7. Bids will be opened in the presence of the Bidders representatives who choose to attend at one minute past Noon on the 20th April 1995 at the offices of The Central Tender Board, Ministry of Finance and Economic Planning, Nkrumah Road, Kampala.

ARTS

If all abstract painting is a kind of landscape painting, the opposite should also be borne in mind: that figurative painting necessarily carries within itself the bones of abstraction. The work of some painters clearly confirms this, while that of others tests it to the limit.

Barrie Cook at the Barbican and Noel Forster at Flowers East are testers, their work a matter of field and process rather than of the particular image. It is the surface of the canvas itself that they present to us, the paint laid on and across it, flat and regular, matter of fact.

Yet no painter can remain entirely on the surface, for even the bare canvas on its stretcher summons up the sense and image of deepest space. With the very first mark laid on to violate or inform it, that implicit space is made more apparent, and every further mark extends it, forward or back as may be. It is in this inevitable engagement with space that the abstract and the landscape painter become one.

Forster, even so, is a painter who does not relinquish his surface lightly. Given that the space must be accepted, he keeps it close to the surface, as shallow as possible, by the superimposition of successive lattices of pigment, each all but obscuring the one before in a cursive, rhythmic screen. But not quite, and we peer through the tiny gaps that remain, into who knows what beyond. Until lately these veils were complex and contradictory, one now supervening, now the other in a kind of ambiguous visual knitting. The latest work is simpler in that the sequence is now clear, the last veil clearly the last and laid on as a single colour across the canvas. That these should be so simple and authoritative is an interesting development for so subtle and delicate an artist.

Cook, by contrast, has the gift some sculptors have of never working small, whatever the actual scale may be. He constantly returns to the stripe or column, usually vertical, sprayed onto an indeterminate colour-field or ground. These columns, set like a fence across the picture-plane, are wonderfully ambiguous, so subtle and suggestive that we may read them at once as both positive and negative forms, hovering in space and yet space themselves, shimmering and glowing. They are beautiful, and Cook's work an abstract symbolism of the highest order.

Michael Michaelides, at Annely Juda, might seem at first no painter at all but the relief-maker he always was, still stretching unprimed canvas across his raised wooden armatures to soften the half-hidden form even as the new-stretched form declares itself. But while old abstract preoccupation with multipanelled formal sequences and progressions remains, he has long-since brought colour into the work, and now brings to it



Plus ça change: 'Another Point Of View' by David Leverett

An engagement with space

William Packer reviews the work of three abstract artists

rather more than a hint of figuration.

His "Andromeda", indeed, are limless female torsos in relief that are as ambiguous as tailors' dummies, the taut, unpainted canvas describing yet concealing the vestigial thighs and breasts. His large triptych, "The First Air Disaster", goes further still in that abstracted and progressively fragmented images of a wing are set in relief upon three larger canvases painted as actual landscapes, albeit unspecified and atmospheric evocations of broad skies and distant mountains, as seen from

the aeroplane. Should painting take over altogether? Should sculpture reassert itself? We shall see. For the rest, with each relief integral to itself, including the abstracted figures, Michaelides' work is as elegant and satisfying as ever.

David Leverett, at Jill George, is the odd man in, with his romantic expressionist landscapes. He looks down the valley from the mountain-top with variously the sun blazing, clouds lowering, lightning flashing. "I need to touch the earth", he says, "to grasp the immensity of nature. The

continents I seek are also outlined in the sky, in the formations of our dreams and in the mysteries of our own imagination."

This is all very well, but what is also apparent, and rather more interesting in this context, is that what was once seen and experienced directly has long since become formalised and repetitive in the service of his histrionic enthusiasm. And what we recall by these formal devices, in particular the inset rectangle invaded by the vigorous calligraphy of the brush, is the abstract Leverett of 20 years ago and

more, with his colourful rectangular grids and structures. *Plus ça change*...

Noel Forster: paintings, Flowers East, Richmond Road E8, until February 5. Barrie Cook: spray paintings, the Concourse Gallery, the Barbican Centre EC2, until February 26. Michael Michaelides: recent works, Annely Juda Fine Art, 23 Dering Street W1, until March 4. David Leverett: Icons & Sacred Places, Jill George Gallery, 38 Lexington Street, Soho W1, until February 17.

'Dance Bites' on tour

Dance Bites may be a feeble title, but it is good idea. A score of dancers from the Royal Ballet, a chance to encourage new choreography; intimate, unpompous presentation; an economical, we suppose, way of showing our national troupe to regional audiences who might not otherwise see the company; a means of showing that ballet is not just swans and fairies; and psychotic Hapsburg royals: it is a necessary extension of the Royal Ballet's duty to its public, and its art.

Last year, a first tour was a success. Now a further jaunt is under way. Some new pieces - rather thin; an Ashton lollipop (the *Thais* duet); the statutory bunch of Forsythia, (no ballet company can now exist without this odd bloom somewhere in its garden), and a masterpiece new to the repertoire, Balanchine's *Duo Concertant*. Glorious though this last work is, and infinitely welcome, the significance of the enterprise is the chance to encourage creativity from within the Royal Ballet itself, and on these terms the present *Dance Bites*, which I saw on in Dartford last week, is undermanned.

William Tuckett provides a new jazz solo for Leire Ortueta, which is papery and predictable, and his earlier *A Shropshire Lad* is revived. I discern in Tuckett's work a concern with exposing the emotional subtext of a score or a situation, which finds him sometimes battling with music or drama. There results dance that can seize one with pleasure at his daring, but can also seem gratuitous. Faced with seven Housman lyrics in settings by Butterworth and Moeran - tweedy music if

ever there was - he is trapped by the poet's insistent "laddery" (there are two lads - William Trevitt and Adam Cooper, with Belinda Hatley as their lass, and Gary Avis as the poet). The songs are not dance music, and for all the touching poses Tuckett devises, he is their prisoner.

Ashley Page provides part of a work in progress, *Two or Three Dialogues* - which looks like two duets for Ann de Vos and William Trevitt - to some electronic maudering by Brian Eno. We have Page's continuing wish to re-shape the academic manner. We also have his affection for design that enforces his quest for innovation. The dancers' outfits, by Flora McLean, are modish, quirky, and not a little tiresome: a plastic skirt for Miss de Vos, and some wilful accoutrements give a fuzzy edge to the dance.

It is Matthew Hart's *Solo* which best speaks of a fresh choreographic eye. He made it for himself a couple of years ago, and it is here well danced by Ricardo Cervera. The music is the third movement from Shostakovich's string quartet No. 8, a haunted, grotesque waltz for which Hart finds apt physical form. There is a gratuitous element of narcissism - the male soloist wears minimal trunks - but Hart realises his score's rhythmic and melodic sharpness in resourceful dance, while yet sustaining the waltz's onward pulse. It is a trifle, but valuable nonetheless.

So, in its heavily perfumed way, is the Ashton *Thais* duet. It was danced on this occasion by Leanne Benjamin and Michael Nunn, who brought the right intensity to its thoroughly suspect ecstasies. All patchouli and eddies of veiling. As neces-



Magnificent: Bruce Sansom and Viviana Durante in Balanchine's 'Duo Concertant'

sary antidote, we have Balanchine's *Duo Concertant*, made for the New York City Ballet's 1972 Stravinsky Festival. In a season of marvels, it was an especial jewel. The musicians (Philip Gammon and Yuri Torchinsky, very fine) are on stage. Two dancers, Viviana Durante and Bruce Sansom, stand by the piano, listening, then are drawn into exploring the music's possibilities. What follows is a miraculous dialogue between dance and music, movement responsive both to form and to the deeper ideas of the score. For Balanchine it was a conversation with Stravinsky and also with Terpsichore. The closing *Duhyr-amb* hints at the idea of the muse - elusive, ever to be adored. Unforgettably created for Peter Martins and the delicate Kay Mazzo, it has been perfectly staged by Miss Mazzo for Durante and Sansom, who

are magnificent in it. The programme ends with William Forsythe's *Herman Schmerman*.

Clement Crisp

Leicester tonight, Newcastle on Tue Feb 2-4. Sponsored by the Andrew Sacher Trust and the Friends of Covent Garden.

Concerts

Minor and monster forces

Byond the Boulez 70th birthday celebrations continuing at the Barbican (of which more another day), the London concert scene was particularly enterprising last week. There was a Harrison Birtwistle premiere for solo tuba and the London Philharmonic; a visit by the City of Birmingham Symphony, inflated to the size Strauss demanded for his *Symphonia domestica*; and at all unlikely things Bohuslav Martinů's very late oratorio *The Epic of Gilgamesh*, grand and utterly odd, and exhumed to a high standard by (of course) the BBC Symphony.

The new Birtwistle piece stems from his recent opera *The Second Mrs Kong*, in which a minor character was Anubis, the jackal-headed Egyptian god who like Charon led the souls of the dead to their fate. In *The Cry of Anubis* he has become a tuba, stinging a solemn, ruminative threnody - occasionally rising to anguished barks - whilst the strings develop intricate patterns. Timpans, bells and harp (struggling to make itself heard) hang sonorous clusters upon the solo line. There were events enough to fill out the 13 minutes of *The Cry*, but here they kept a low profile by Birtwistle's standards. The reduced LPO strings sounded too few against their noisier colleagues, and not rehearsed to the point of full confidence. Even Owen Slade, the excellent tuba, preferred to play safe with his broad, round timbre, rather than let his imagination light up the score with extra subtleties. What we heard was moderately imposing, but there must be more to be discovered.

There cannot be much in the *Symphonia domestica* that Mark Elder has not discovered. At the Barbican with the CBSO on Friday, he conducted Strauss's monster forces with delicacy and unlimited tenderness, rendering the score almost transparent for once: not clothed, not overbearing, but the honest, good-hearted paeon to familial bliss that it was meant to be (on its unabashed public scale, with no stinting on the climaxes). It was beautifully phrased, and hugely disarming - and the orchestra did Elder proud. Doubts about whether Strauss's time was well spent in erecting this monument to the late 19th-century "symphony" in 1903, whether for him the whole lugubrious exercise was already too much like taxidermy, were easily suppressed while it lasted.

Doubts about Martinů (1890-1959) are always tantalisingly with us. For many Czechs he is their latest major composer after Janáček and Suk, though he enjoyed an urbane self-exile in Paris and America for most of his life. For non-Czech listeners he remains a radically quirky composer: never a serious revolutionary, but peculiar, even cranky, in almost every detail. His seemingly conventional forms, tunes and harmonies go off at unpredictable tangents; the rationale for that is generally opaque, and yet - once in a while - he scores memorable effects.

The Epic of Gilgamesh is based on the pre-Biblical narrative, but it is neither an epic nor even quite an oratorio. What occasioned it seems to have been the death of a lifelong Martinů friend in 1945, and the composer's subsequent brooding on mortality and loss. The legendary events are reduced to a narrow thread. In part 1 the hero Gilgamesh, a fierce ruler who brooks no opposition, finds a soul-mate in Enkidu, another demigod and an innocent "natural savage" (with luxuriant hair like a woman's); in part 2 Enkidu is suddenly dying, after premonitory dreams; part 3 is all Gilgamesh's desolate grief, with Enkidu contributing a bleak testimony from the underworld.

Jiří Bělohlávek led his quartet of distinguished Czech soloists in a strong, sympathetic performance. The best portions of the score were very striking: the first barbaric ode to Gilgamesh (BBC Symphony Chorus in superb form and brave Czech), the representations of Enkidu's ecstatic heterosexual initiation, his epic challenge to Gilgamesh and later that hero's desperate heartbreak, then their spectral last encounter. The sounds were often extraordinary - apparently intuitive, not generated by any theory, but instantly haunting. I have no idea what, exactly, Martinů was doing, but it was not a waste of time.

David Murray

INTERNATIONAL ARTS GUIDE

BERLIN

OPERA/BALLET
Deutsche Oper Tel: (030) 341 9249
● Der Fliegende Holländer: by Wagner. Conducted by Heinrich Hollnreiser, production by Gustav Rudolf Sellner at 7 pm; Jan 31
● L'italiana in Algeri: by Rossini. Conducted by Ion Mann/Rossini, produced by Jérôme Savary at 7 pm; Feb 4, 8
● The Marriage of Figaro: by Mozart. Conducted by Stefan Sottész, produced by Götz Friedrich at 7 pm; Feb 7

LONDON

CONCERTS
Barbican Tel: (0171) 638 8891
● Tippett: Visions of Paradise: opening concert of the 'Visions of Paradise' festival that celebrates the 90th birthday of one of the most eminent living British composers. Sir Colin Davis conducts the London Symphony Orchestra to play Mozart and Tippett's own, 'A Child of Our Time' at 7.30 pm; Feb 5
Festival Hall Tel: (0171) 928 8800

● Handel: Messiah: Charles Francome conducts the Royal Philharmonic Orchestra with soprano Turid Karlsen, contralto Ruby Philomena, tenor Hirohisa Tsuji and bass Hubert Claessens at 7.30 pm; Feb 1
● Philharmonia Orchestra: with violinist Kyung-Wha Chung and conductor Kurt Sanderling plays Beethoven and Bruckner at 7.30 pm; Feb 4, 8
● Royal Philharmonic Orchestra: with pianist Eliso Virsaladze and conductor Yuri Temirkanov plays Britten, Prokofiev and Shostakovich at 7.30 pm; Jan 31
● Vienna Philharmonic Orchestra: Bernard Haitink conducts Bruckner's Symphony No. 8 at 7.30 pm; Feb 2
GALLERIES
Royal Academy Tel: (0171) 439 7438
● Poussin: over 90 works by the French artist. Centerpiece of the exhibition is the two series of the 'Seven Sacraments'; in Apr 9
OPERA/BALLET
English National Opera Tel: (0171) 632 8300
● King Priam: a new production of Tippett's opera that opens the London festival - Tippet's Visions of Paradise, to celebrate the composers 90th birthday at 7.30 pm; Feb 3
● Rigoletto: Jonathan Miller's updated version of Verdi's opera where the duke is a mafia boss at 7.30 pm; Feb 1, 4
Royal Opera House Tel: (0171) 340 4000
● Così Fan Tutti: by Mozart. A new production directed by Jonathan Miller. Conductor Evelino Pidò. In Italian with English surtitles at 7 pm; Jan 31; Feb 3, 6, 8

● Der Rosenkavalier: by Strauss. Conducted by Andrew Davis, directed by John Schlesinger. Soloists include Felicity Lott/Anna Tomowa-Sintow as Prinzess von Werderberg at 8.30 pm; Feb 4 (5.30 pm); 7
● Otello: by Verdi. Conductor Carlo Rizzi, director Elijah Moshinsky, in Italian with English surtitles at 7.30 pm; Feb 1
● Troilus and Cressida: by Walton. An Opera North production conducted by Richard Hickox and directed by Matthew Warchus at 7.30 pm; Feb 2
THEATRE
Barbican Tel: (0171) 638 8891
● New England: Richard Nelson's new play at 7.15 pm; Feb 3, 4
National, Lyttelton Tel: (0171) 928 2252
● The Children's Hour: by Lillian Hellman, directed by Howard Davies at 7.30 pm; Feb 3, 4 (2.15 pm)
National, Olivier Tel: (0171) 928 2252
● The Merry Wives of Windsor: by Shakespeare. Terry Hands directs his first production at the National. With Denis Quillley as Falstaff, Brenda Bruce as Mistress Quickly and Geraldine Fitzgerald as Mistress Ford at 7.15 pm; Feb 6, 7, 8

NEW YORK

GALLERIES
Guggenheim Soho Tel: (212) 423 3652
● Antoni Tapies: 55 of the leading Spanish artist's most important works dating from 1946 to 1991; to Apr 23
Museum of Modern Art Tel: (212) 708 9480
● Kandinsky: Compositions:

exhibition featuring about 40 works including several of the surviving 'Composition' paintings; to Apr 25
OPERA/BALLET
Metropolitan Tel: (212) 362 6000
● Cavalleria Rusticana / Pagliacci: by Mascagni/Leoncavallo. Production by Franco Zeffirelli, conductor Christian Badea at 8 pm; Feb 1, 4, 7
● Il Barbiere di Siviglia: by Rossini. Produced by John Cox, conducted by David Atherton at 8 pm; Feb 8
● L'Elisir d'Amore: by Donizetti. Produced by John Copely, conducted by Edoardo Müller at 8 pm; Feb 3
● Simon Boccanegra: by Verdi. A new production directed by Giancarlo del Monaco. James Levine conducts the opening night cast of Cheryl Studer, Plácido Domingo and Vladimir Chernov at 8 pm; Feb 2
● Turandot: by Puccini. Produced by Franco Zeffirelli, conducted by Nello Santì at 8 pm; Jan 31; Feb 4, 8
THEATRE
Roundabout Theatre Company Tel: (212) 889 8400
● The School for Husbandry / The Imaginary Cuckold: by Molière. Michael Langham directs this Richard Wilbur translation starring Brian Bedford at 8 pm; from Feb 2 to Mar 12 (Not Mon)

PARIS

CONCERTS
Champs Elysées Tel: (1) 47 23 37 21/47 20 06 24
● Jorge Chaminé: baritone with pianist Maria-Françoise Bucquet plays Tchaikovsky, Borodin and Glinka at 8.30 pm; Feb 7
● London Symphony Orchestra:

with soprano Jessye Norman. Pierre Boulez conducts Berg, Bartók and his own compositions at 8.30 pm; Feb 1, 2
● Maxim Vengerov and Itmar Golan: an evening of violin and piano recitals by Mozart, Beethoven, Prokofiev and Shostakovich with violinist Vengerov and pianist Golan at 8.30 pm; Feb 8
OPERA/BALLET
Opéra Comique Tel: (1) 42 98 12 20
● Lakmé: by Delibes. Conducted by Frédéric Chaslin and produced by Gilbert Blin at 7.30 pm; from Jan 31 to Feb 18

WASHINGTON

CONCERTS
Kennedy Center Tel: (202) 467 4800
● Washington Chamber Symphony: Stephen Simon conducts Tower, Mozart and Mendelssohn at 7.30 pm; Feb 3, 4
OPERA/BALLET
Washington Opera Tel: (202) 416 7800
● Semel: by Handel. Conductor Martin Pearlman, Roman Terelchik directs a Zack Brown production at 8 pm; Feb 2, 6 (7 pm)
● The Bartered Bride: by Smetana. Conducted by Heinz Fricke, in English at 8 pm; Feb 1, 3, 5 (2 pm), 8
THEATRE
Arena Stage Kreeger Theater Tel: (202) 554 9086
● Hedda Gabler: Henrik Ibsen's drama, directed by Livia Ulliel and translated by Christopher Hampton at 7.30 pm; to Mar 19 (Not Mon)
Arena Stage, Fichandler Theater Tel: (202) 488 3300
● Long Day's Journey into Night:

Eugene O'Neill's classic American drama, directed by Douglas Wager at 7 pm; to Feb 5 (Not Mon)
Kennedy Center Tel: (202) 467 4800
● How to Succeed in Business Without Really Trying: co-production with the Kennedy Center. Directed by Dee Munn and starring Matthew Broderick as J. Parnapont Pinch, the little window-washer with big corporate dreams at 8 pm; to Feb 26 (Not Mon)
Studio Theater Tel: (202) 332 3300
● Conversations with My Father: Herb Gardner's autobiographical work, directed by John Gering. Sun 2pm and 7pm otherwise at 8 pm; to Feb 5 (Not Mon)

ZURICH

GALLERIES
Kunsthaus Zürich
● Degas-Tha Portraits: a major new exhibition of the portraits of Edgar Degas; to Mar 5
OPERA/BALLET
Opernhaus Tel: (01) 262 0909
● Der Fliegende Holländer: by Wagner. Conducted by Nikolaus Harnoncourt and produced by Ruth Berghaus. Soloists include Inga Nielsen and Malin Hartelius at 7.30 pm; Feb 3
● Die Fledermaus: by Strauss. Conducted by Franz Welser-Möst and produced by Robert Herzl at 7.30 pm; Feb 1
● Linda di Chamounix: by Donizetti. Premiere conducted by Adam Fischer and produced by Daniel Schmid. In Italian at 7.30 pm; Jan 31
● The Masked Ball: by Verdi. Conducted by Franz Welser-Möst and produced by Michael Hampe at 7.30 pm; Feb 2, 5 (4 pm)

WORLD SERVICE

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(Central European Time)
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European Money Wheel
Nonstop live coverage until 14.00 of European business and the financial markets

17.30
Financial Times Business Tonight

Midnight
Financial Times Business Tonight

Japanese carmakers, battered by the rise in the value of the yen, have struggled in the past year to keep pace with the nascent recovery in the west European new car market.

The launch by Mitsubishi Motors today of its first European-built model shows that they nevertheless remain determined to succeed. It raises the competitive stakes with a big increase in the development of Japanese car production capacity in Europe.

The Mitsubishi Carisma, a large family car to be unveiled at the Amsterdam motor show, will challenge models such as the Ford Mondeo, the Opel Vectra and the Renault Laguna.

As the first cars roll off the assembly line at its new plant at Born in the Netherlands, Mitsubishi Motors becomes the fourth Japanese vehicle maker to begin mainstream car production in western Europe.

Nissan, Honda and Toyota are well established in Europe. They produced 333,000 cars last year at their three plants - all in the UK - accounting for about 3 per cent of total west European car output.

With the addition of the Mitsubishi factory, the four Japanese carmakers are forecast by DRI Europe, the automotive analyst, nearly to triple production to 955,000 by 1999, raising their share of west European car output to 6.7 per cent by the end of the decade.

In the past year Japanese carmakers have suffered falling sales in Europe. They have been hit by the rapid rise in the value of the yen - which has increased the cost of imported cars and components - and have been forced to confront strong competitive pressure from resurgent European carmakers.

Sales of Japanese cars in west Europe dropped 5.5 per cent in 1994 from 1.3m, in an overall market which grew by 5.9 per cent to reach 11.9m. The market share of the Japanese declined to 10.9 per cent - the lowest for five years - from 12.3 per cent a year earlier. Only Honda among Japanese carmakers increased its registrations in Europe last year.

European fears of rapid Japanese penetration of the west European market have so far proved unfounded, with the latest DRI forecast suggesting that Japanese market share will rise moderately to 13.9 per cent in 1995. And although Japanese production in west Europe will have increased sharply by the end of the decade, part of this rise will

Japanese car plants in Europe

Mitsubishi, UK
Capacity: 300,000 cars a year.
Output 205,000 in 1994. £15m investment.

Honda, UK
Capacity: 150,000 cars a year.
Output 42,853 in 1994. 160,000 planned in 1995. £700m investment.

Nissan, UK
Nissan Vehicle Plant, Sunderland.
40% GM 60% Nissan. 60,000 a year capacity. Output 45,000 in 1994.

Nissan, Spain
Santana Motor (88.7% Nissan).
60,000 a year capacity. Produces compact sport/utility vehicles.

Toyota, UK
Runwold near Derby.
Capacity: 200,000 cars a year.
Output 85,000 in 1994. Second phase planned by late 1995. £700m investment.

Daewoo, Czech
Capacity: 200,000 engines a year.
First production September 1992. £140m investment.

Suzuki, Hungary
Suzuki, north of Budapest.
Megyer Suzuki (40% Suzuki, 11% CIO). 50,000 a year car capacity.

Subaru, UK
Subaru, north of Derby.
Capacity: 200,000 cars a year.
Starts 1995. £1.4bn investment. Output to be shared equally.

Nissan, Spain
Nissan Motor Iberica. 135,000 a year capacity. Output 104,000 in 1994.

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Eyes on the fast lane

Kevin Done on Japanese carmakers' European plans

come at the expense of direct exports from Japan.

Mr Helmut Werner, chief executive of Mercedes-Benz of Germany, maintains that there has been "a shift in competitive dynamics" in the three main car-producing regions during the past two years, in favour of North American and European vehicle makers.

He accepts that "the drastic appreciation of the yen" has played a role, but says that European and North American producers have improved their products and have exploited competitive advantages in areas such as safety.

"We still cannot afford to underestimate the Japanese," he says. "Their production system is as outstanding as ever. But recent developments have shown we in Europe can hold our own. If we are prepared to tread new paths in terms of organisation and working patterns in our plants."

A study by DRI says that European carmakers are rationalising their ranges, with a big cut in the number of basic chassis platforms from 88 to 57 between the early 1990s and the end of the decade. At the same time they are increasing the number of derivative models to meet the varied demands of their customers.

For the Japanese, the going has proved much tougher than expected. In addition to the problems of the strong yen, their ability to speed up the transfer of production from Japan to Europe has been held up by recession and dwindling profitability at home.

They are struggling, too, to build effective dealer networks in countries such as France, Italy and Spain, where their sales have been restricted by quotas, and they have lagged behind European and US rivals in the provision of security and safety features, such as dual airbags, that are fast becoming standard equipment.

Nissan, which blazed the trail for Japanese car production in Europe in the second half of the 1980s, has run into problems at its Elba plant at Sunderland in north-east England.

It is plan to produce 370,000 cars in 1995 with the creation of a capacity for 300,000 cars a year was blown off course by recession in the European car market. Production had to be cut back to 246,000 in 1993 and fell again last year to only 205,000. Several hundred jobs have been cut in the group's first voluntary redundancy scheme.

Nissan has also run into difficulties in Spain, where its Nissan Motor Iberica subsidiary, which makes four-wheel drive and other specialised vehicles, is expected to suffer a fourth successive year of losses in 1995.

Similarly, Suzuki has suffered heavy losses at its plant in southern Spain, which has come close to financial collapse. It is pressing ahead with the development of its small car plant in Hungary, however.

And Toyota has been forced to slow the development of production at its £700m plant in the UK. Planned output for 1995 has been cut to 90,000 from 100,000, and the group is still to make a decision to press ahead with the second phase of the project and the expansion of capacity to 200,000 a year.

Mitsubishi Motors, the latest arrival, aims to reach production of 100,000 cars a year by 1997 at the £1.3bn (£20m) Ned-Car plant, which it has developed in a joint venture with Volvo, the Swedish carmaker, and the Dutch government. But it faces a difficult task as it tries to carve out a greater share of a market in which discounting and sales incentives are still rife.

Its Dutch plant should be among the most efficient in Europe, however, and it is aiming to start with local content of about 85 per cent.

Mr Hiroshi Niimiya, president of Mitsubishi Motor Sales Europe, says the plant will achieve an assembly time initially of about 20 hours per car, but this should be reduced to 17 hours or less at full capacity - putting it ahead of most European car manufacturers.

"We will get our costs in order," warns a senior executive of one leading Japanese carmaker in Europe. "Yes, the Europeans have bounced back, especially in design. If not so much in their costs, but it is a cyclical industry. Be sure that the Japanese will come back."

Joe Rogaly

Obsessive party games

The Conservative war of words over Europe is a battle of obfuscations. So is Labour's exchange of verbal hostilities over Clause 4 of its constitution.

Britain's governing party is living in nightmare-land; the principal opposition inhabits a hall of distorting mirrors. Mr John Major is the captive of 19th-century imaginations; Mr Tony Blair a potential victim of the far more terrible phantoms of the early part of the 20th. Like boys obsessed with Nintendo games, the prime minister is feverishly thumbing the buttons on Master of the Eurosceptics; his rival, the leader of the Labour party, is turning bug-eyed over The Claws that Sunders. Perhaps we should be grateful. It might keep them out of mischief.

The above exposition of the state of British politics may sound light-headed, but the intention is serious. Our political leaders are floating on clouds of ersatz dialogue. Each is distracted by passionate soul-searching within his party. Consider first Mr Major's fantasy-game. The prime minister knows that Britain has no choice but to participate in whatever is going on among its continental neighbours. He has said so. His emphasis, however, varies. This is nothing new. From time to time the UK government is overcome by delusions of grandeur, as it was over the European Coal and Steel Community, which it failed to join in 1950, or the drafting of the Treaty of Rome, from which it stayed aloof in 1955.

Such self-glorification has been punctuated by panic attempts to opt in, or desperate scrambles not to be left out. These began in 1961, but the pattern persisted. As prime

minister in 1970-74 the then Mr Edward Heath led us into the "common market"; his Labour successor nearly took us out. When she was prime minister in 1979-90 Lady Thatcher thundered "no no no no" from every platform, but in the back room, confronted by the Single European Act and possessed of a praiseworthy sense of realism, she whispered "yes yes yes yes".

This well-known post-1945 history of opportunities botched and subsequent patch-ups is rehearsed in the current issue of The Political Quarterly. None of the blather of the past week changes the continuing story. Last Thursday's cabinet decision to bang the nationalist drum may be a portent of the near future.

The PQ, edited by Messrs Colin Crouch and David Marquand, comments that "the easiest way for the government to escape from its predicament is to call a snap election before the intergovernmental conference, and to fight it on an anti-federalist ticket - suitably tinged with a genteel xenophobia - around which all but the bitterest Eurosceptics in the Conservative party could unite". This thought has plainly occurred to the opposition. The IGC is due to start next year. Labour is already taking pre-emptive action. Mr Robin Cook said yesterday: "Europe must be a community of free member states." For good measure, the shadow foreign secretary added: "Labour rejects the concept of a European superstate." This makes as much sense as it does when the prime minister says it. The European Union is and will

remain a permanent conference of independent nations. No united states of Europe is in sight. "Conservatives are against the consumption of babies for breakfast," Mr Major might proclaim. "Us too," says Mr Blair.

Yesterday's article on this page by Lord Howe should come as a bucket of cold water over populist heads. The former Tory chancellor and foreign secretary foresees and welcomes greater cohesion in an ever-closer union than some of us do, but his basic proposition, that "if we make the EU unworkable", France and Germany "will find other solutions that exclude us", cannot be gainsaid.

The corollary should be spelled out. Whether or not we drag our heels in 1993, or if ever a single currency is established, sooner or later we will be begging for membership of the highest circle of the EU empire.

Then again, the prime minister's Mr Malcolm Rifkind, the UK is not the 51st state of the US. Stand alone? Britain cannot be Switzerland. It is too large to be Norway. There is only Europe.

Who is saying this with unqualified clarity today? Not Mr Michael Heseltine, who wrote a book on it. Not yet Mr Kenneth Clarke. Not even Mr Douglas Hurd. The industry secretary, the chancellor and the foreign secretary all know better. Yesterday Mr Hurd's characteristically diplomatic remarks indicated his adherence to the idea of Britain's place at the centre of European affairs. Yet he, along with other European-inclined members of the cabinet, has apparently acquiesced in the prime

minister's implicit contract with the Eurosceptics.

The most extreme version of that unholy pact was expounded by Mr Michael Portillo over the weekend. The British cabinet, it seems, threatens a machine-gun spray of vetoes at the IGC, crying: "Freeze, Europe. One move and we'll blast you".

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LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to "line"). Translation may be available for letters written in the main international languages.

UK needs nuclear rethink

From Mr Frank Blackaby, Sir, In your excellent editorial on the non-proliferation treaty, "A treaty worth saving" (January 30), there is one point that is not mentioned.

As you say, the US and Russia can claim they are fulfilling their obligations under the treaty by substantial reductions in the number of their nuclear warheads.

The UK can make no such claim. It is engaged on a programme which dramatically increases the range and accuracy of its strategic missiles, and it is raising the yield of the warheads which those missiles carry from 40 to an estimated 100 kilotons.

(The Hiroshima bomb, for comparison, was around 13 kilotons.)

It really is time for the three main political parties in the UK to think again about Britain's nuclear weapon policy.

Frank Blackaby, 9 Fentiman Road, London SW8 1LD, UK

A better way of saying it

From Mr Graham Allen, Sir, It is good to see the Financial Times giving serious coverage to the question of London's provision for staging dance and lyric theatre in the next century.

We look forward to hearing the outcome of the Arts Council's current deliberations on this issue.

Anthony Thornehill is seriously mistaken, however, to put our plans to redevelop Sadler's Wells in opposition to English National Ballet's hopes for the future ("Art for all and money for some", January 21). London needs a range of theatres seriously committed to dance. A positive aspect of the dance world in London is the extent to which all organisations are working together to ensure the best possible range of venues for our audiences and companies.

Sadler's Wells in no way considers there to be any rivalry between itself and English National Ballet and each is fully supportive of the other's aims and aspirations.

Jan Albery, chief executive, Sadler's Wells, Rosebery Avenue, London EC1R 4TN, UK

Mutual support on dance

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Jan Albery, chief executive, Sadler's Wells, Rosebery Avenue, London EC1R 4TN, UK

Full support

From Sir Roger Gibbs, Sir, With regard to your People article, "The man who welcomed Glaxo" (January 30), by Katharine Campbell, I would like to make one point clear. The board of Wellcome plc did consult the governors of the Wellcome Trust over the appointment of Mr John Robb as both chairman and chief executive of that company. I would like to make it quite clear that the trust fully supported that decision.

Roger Gibbs, chairman, The Wellcome Trust, 183 Euston Road, London NW1 2BE, UK

Essential to require disclosure of top executives' pay

From Mr David Chidgey, MP, Sir, Sir Iain Vallance (Personal View, January 25) misses the mark in his article on executive pay.

It is all very well to argue that shareholders should "stick to what is material and practical", but this is almost impossible while shareholders are denied comprehensive information about the full remuneration paid to company directors.

It is now clearly necessary for legislation to enforce the disclosure in a company's annual reports the full remuneration packages awarded to every director. This simple measure, which even the Institute of Directors now advocates on a voluntary basis, will

improve accountability and transparency. It will also allow some rationality to enter the current debate on executive remuneration.

David Chidgey, Liberal Democrats' employment and training spokesman, House of Commons, London SW1A 0AA, UK

From Mr Jeremy Wagoner

Sir, The article by Sir Iain Vallance started promisingly with some telling points about differing standards towards the rewarding of success and the role of money. But he is too tight when he suggests that the salary of the chief executive is of no concern to employees. Of course it is. Whether he

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or she is driven by envy or ambition, the boss's pay (and not just the top boss) is of legitimate interest to every employee. How a company sets its rewards and their level says a lot about the values under which it operates.

Jeremy Wagoner, Fairfield, Silver Street, Stansted, Essex CM24 8EH, UK

From Mr George Bull

Sir, It was refreshing to see the positive contribution from Sir Iain Vallance. I was glad to be reminded of the concept of a "just and fair reward for the job done".

More immediately, I am puzzled by one of the criteria he gave for determining a "just

reward". He mentioned comparability with other similar jobs, saying: "There is a market (albeit imperfect) for chief executives and an international one at that."

Surely this market is extremely limited and marginal? I would be impressed to see more British executives flocking for higher rewards to work in Japan, Germany, France and the US. It would be a reassuring kind of brain drain.

But when it comes to board rooms and top management, business is surely still very nationalistic?

George Bull, Editor, Insight Japan, 19 Hugh Street, London SW1V 1JQ, UK

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FINANCIAL TIMES

Conferences

WORLD PHARMACEUTICALS CONFERENCE

Evolving from Pills to Healthcare - Realising the Ambition

20 & 21 March 1995 - London

As governments worldwide seek to contain healthcare costs, the marketplace has become more competitive for R&D-based pharmaceutical majors. Many are now looking at new ways of working with the healthcare purchasers, whether in the US free market environment or in European-type social systems. Leading figures will outline their vision and strategies for moving from being pharmaceutical product-based companies to becoming 'healthcare' players.

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- Generics - An Integral Part of Strategy or an Add On?
- OTC - The First Products in the Healthcare Process
- Pharmaceutical Benefits Management in Europe

SPEAKERS INCLUDE:-

Mr Jan Ekberg
President and Chief Executive Officer
Pharmacia AB

Professor Brian Edwards
Regional Director
NHS Executive (West Midlands)

Mr Mitchell E Daniels
President
North American Pharmaceutical Operations Eli Lilly and Company

FINANCIAL TIMES

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Tuesday January 31 1995

Diplomacy required

The resolution of a trade dispute between the US and China now appears to hinge on whether a Chinese delegation will buy a plane ticket to Washington this week. At issue is intellectual property and, in particular, factories in southern China that specialise in counterfeit compact discs, and in evading royalty payments to US companies. For the moment, this is a trade war, not a war, and both sides indicate that a resolution is possible. But the dispute could take a turn for the worse on February 4, when the US promises to produce a list of Chinese imports to be subject to 100 per cent tariffs.

That will bring the countries closer to confrontation, and could be the opening door for theories in which the point of the dispute becomes the conduct of the argument, and not the substance of a settlement. In Beijing last week, both sides appeared wary of war. But US negotiators have returned to a Washington congressional audience keen to put pressure on China over a range of issues from market access to human rights, arms control and Taiwan. The Chinese negotiators must report to a Communist party awaiting, with apprehension, the imminent death of the country's paramount leader, Deng Xiaoping.

Some Beijing officials will see a trip to Washington as a loss of face, but the more pragmatic will not bother to invoke the fake-producing factories as a point of national honour. Their job will be made easier if Mr Mickey Kantor, the US trade representative, chooses his words carefully when he gets the curtain call on February 4. Under section 301 of the US trade act, the US will still have a month to answer US demands before punitive tariffs are applied on footwear, toys and whatever else Mr Kantor puts on his shopping list.

Delicate decision

The decision on sanctions is a delicate one for the Clinton administration. On the one hand, feelings in the US business sector are running strong and there are fewer divisions over intellectual property than there were at the time of last year's dispute on most favoured nation status. Mr Kantor must have a deal he can sell to a

A phantom Euro-debate

For a heady moment last week, Mr John Major may have allowed himself to imagine that he had bought a truce in the British Conservative party with his latest repackaging of policy on Europe. If so, the past few days have proved him sadly deluded. By attempting to appease party Europhiles with a more strident tone ahead of the European Union's 1995 intergovernmental conference, he and senior Cabinet colleagues have infuriated Europhile MPs. The attack in these pages yesterday from Lord Howe, former chancellor and foreign secretary, is just a foretaste of the skirmishing to come. For the government, it should also serve as a most ominous portent.

If Mr Major's hunch to the right on Europe continues – and that is quite a large "if" given the tendency for the government's policy to add and flow with the tides of Commons votes – it could turn out to be an error of considerable proportions.

In Europe, it would mean that the UK went into an important round of negotiations threatening to veto almost any European treaty change that could be perceived as having constitutional significance. That would be the equivalent of having one hand tied behind its back and the other flailing with a blunt instrument. It is certainly not an approach likely to persuade Britain's European partners of the merits of its case.

Even in terms of British domestic politics, it is hard to see how Mr Major thinks he might profit from such a negative stance in anything but the very short term. For all the huffing and puffing about the veto, history suggests that the other 14 EU members will not allow Britain alone to stop them agreeing on structural changes that several of them regard as essential.

Phoney choice

Thus, unless Mr Major takes the opportunistic step of calling a pre-EU election and campaigning on a Eurosceptical ticket, the conference's outcome could return to haunt him just as campaigning for a general election is at full tilt. At that point he would face anew the phoney choice that has confronted numerous British prime ministers since the war: whether to accept a fait accompli cooked up on the

sceptical business constituency. On the other hand, outright confrontation on intellectual property would give heart to those anxious for a high line towards China on other issues like Taiwan. That could be counter-productive if it drove China deeper into isolation.

Political issues

The US needs a workable relationship with Beijing for the longer term, and not just because of the growing size of economic exchanges. There are political issues, such as North Korea and security in the Pacific Rim, where collaboration is and will remain important.

China sometimes gives the impression it feels it is doing the US a favour by negotiating; that developing countries have a right to piracy; and that China, in its own time, will pass through the phase of becoming part of the international community rules. That is the point underlying the US demand for a monitoring force to ensure the protection of intellectual property rights.

It has been too easy for Beijing to become party to an agreement, and then to blame violations on errant and uncontrollable individuals. That Chinese swimmers have recently been exposed as setting records for lap times and drug abuse should have been a warning to Beijing that its reputation depends on abiding by multilateral rules.

The government should also listen to the recent public words of warning from companies outside the US, such as Unilever and Deutsche Bank. In the past, Beijing could rely on silence from foreign companies, which had calculated that the risk of alienating Chinese officials was greater than the reward from drawing attention to difficulties.

Similarly, countries harking China's World Trade Organisation entry are irritated by threats that it will refuse to resume negotiations next month unless favourable concessions are made. The Chinese government should see the WTO matter as multilateral, not personal. And the US should ensure that its dispute with Beijing remains about loss of market share, and not about the loss of face.

continent, or to opt out of the whole enterprise. The saddest irony of Mr Major's predicament is that the sound and fury on his backbenches has little bearing on real life. Giant steps towards a federal Europe will not be on the table at the 1995 conference. Rather, the agenda is likely to focus on limited, practical steps to streamline the functioning of the union and prepare for eventual membership by the states of central and eastern Europe.

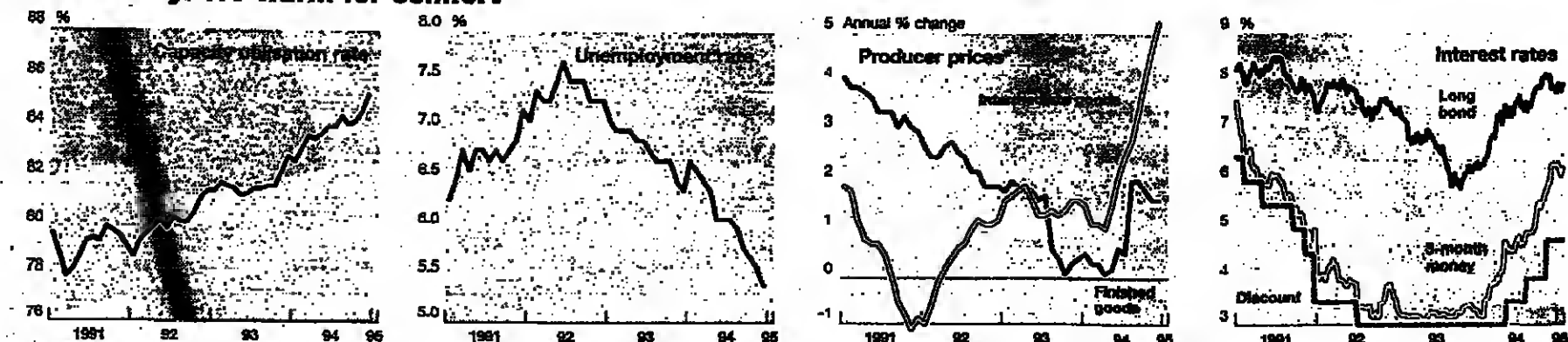
Sharing sovereignty

Some of these are bound to entail a modest further sharing of sovereignty as has been operating successfully for some years under the Single European Act signed by the then Mrs Margaret Thatcher. But the innovation that is arguably of greatest constitutional significance – economic and monetary union – is already enshrined in the Maastricht treaty, and Britain can choose whether to join, probably by referendum.

In any case, the government is not without continental allies on the issues dearest to its heart. France and Spain, for example, will support changes to the system of qualified majority voting that would improve the ability of larger member states to block decisions they do not like; France in its current mood is unlikely to countenance significant further transfers of power to Brussels. In many areas, as Mr Douglas Hurd never tires of reminding audiences, subsidiarity is now the watchword. And the agenda of free markets, privatisation and flexibility with which the British government is associated has made great strides up the EU agenda in recent years. That said, those MPs who think it will be possible for Britain to opt out of additional swathes of EU policy and still retain influence, or even remain a member, are deluding themselves.

It is time for Cabinet ministers of known pro-European views – Mr Kenneth Clarke and the strangely silent Mr Michael Heseltine to name two – to stand up and argue this case without equivocation. Shril nationalism of the kind projected by some ministers in recent days is an expression of weakness and division, and an abdication of influence over Europe's future.

US economy: too warm for comfort



Mr Alan Blinder, the vice-chairman of the Federal Reserve, has a homely way of explaining monetary policy: it is like trying to control the temperature of your home with a sluggish central heating thermostat. When it gets too hot, you turn down the thermostat. You get frustrated because nothing happens. So you keep on turning it down. Before long you are freezing...

The US economy was undeniably baking last year. Gross domestic product grew at an annualised rate of 4.5 per cent in the final quarter and by 4 per cent during the year as a whole – a marked acceleration from 1992 and 1993 when real GDP grew by 2.3 per cent and 3.1 per cent in real terms.

Since growth last year was higher than any plausible estimate of the economy's long-run potential, most analysts expect the Fed to signal another increase in short-term interest rates following a strategy meeting today and tomorrow. The consensus view is that the Fed will raise rates by a half point to 6 per cent. This would mark a doubling of rates since early last year when the Fed began to tighten policy.

But while nearly unanimous in accepting the logic of a rise this week, economists are sharply divided on the merits of a further significant tightening of policy. Many believe the economy is already decelerating in response to last year's rate increases. They fear the Fed could precipitate a recession next year if it moves too aggressively. To use Mr Blinder's analogy, it would have failed to allow for the economy's sluggish response to the monetary thermostat.

The "slowing already" school cites numerous signs of flagging growth. Last week's GDP figures showed a large increase in corporate inventories in the fourth quarter. The increase for the year as a whole was the biggest in a decade and accounted for about 1 per cent

Need for cool heads in a hot climate

Will US economic growth subside before the onset of an inflationary spiral, asks Michael Prowse

Some regard this as evidence that companies have over-estimated consumer demand and will have to trim production in coming months. Consumers, meanwhile, are said to be suffering from fatigue. Preliminary reports showed retail sales were flat in the final two months of last year. After a buoyant 1994, the big US car companies are cutting production at some plants and revising down their optimistic sales forecasts. And although housing starts were stronger in December than most analysts expected, many indicators of housing activity, from mortgage applications to builders' surveys, are pointing down.

Citing these and other signs of flagging momentum, Mr Bruce Steinberg, a senior economist at Merrill Lynch, predicts that GDP will grow at an annualised rate of less than 3 per cent in the present quarter. Since nearly half the increase in consumer spending last year was financed by instalment credit, he expects consumption growth to drop to a sedate 2.0-2.5 per cent this year.

On this analysis, the Fed will be able to soft-landing is far from certain; the evidence of slower growth is hardly conclusive. Inventories have certainly risen sharply, but economists at J.P. Morgan, the New York bank, point out that current levels of stockpiling have been sustained for long periods in the past. The ratio of inventories to sales is still low by post standards.

Nor should too much be read into scattered signs of recent indigestion in the retail, car and housing sectors. Lulls in spending are to be expected in even the strongest expansions. Car sales and housing starts are running only slightly above the levels consistent with "normal" growth of income and population; there is thus little risk of contraction in these sectors. So far, the negative impact of increases in interest rates has been more than offset by rising consumer confi-

dence, itself a reflection of buoyant employment growth; some 3.5m new jobs were created last year, quashing earlier talk of a "jobless recovery".

Strong economic upswings are typically hard to restrain. And this one is strong. Capital investment is growing faster than in any recent business cycle; corporate spending on equipment grew at an annual rate of 20.2 per cent in real terms in the fourth quarter and by 17.8 per cent during last year as a whole. Consumer spending on durable goods grew by 18.1 per cent and 8.5 per cent respectively.

Rapid growth of imports, a ballooning current account deficit (which may hit \$180bn this year) and a persistently weak dollar suggest consumer and business demand is outstripping supply, as do conventional yardsticks of tightness in labour and product markets. The jobless rate fell from 6.7 per cent at the beginning of last year to 5.4 per cent in December, well below the 6 per cent rate generally deemed consistent with stable inflation. The rate of industrial capacity utilisation has risen sharply to more than 85 per cent, the highest since 1979, and well above the 83 per cent level often regarded as a threshold for higher inflation.

These are rough rules of thumb. As Mr Greenspan noted last week, capacity ceilings are flexible – up to a point. So far, rapid increases in the prices of raw materials and components have not fed through

into consumer price inflation, which was under 3 per cent last year for the third year running. Wage growth also remains unusually subdued given the low jobless rate.

Those who maintain that little further tightening of monetary policy is needed are implicitly arguing that growth will subside of its own accord just before the economy hits traditional capacity constraints. The feared upward spiral in prices and wages will thus never occur. But the economy may not prove so obliging. Mr Henry Kaufman, the bond market commentator, points out that short-term interest rates, at 5.5 per cent, are scarcely demanding by historical standards. Personal credit is readily available. Companies are awash with cash. Falling unemployment is boosting consumer confidence. Economic growth in the rest of the world is accelerating. All this suggests that the inflation outlook could deteriorate rapidly unless firm action is taken to restrain US growth; that could mean a rise in short rates to 7.5 per cent or more this year.

Mr Kaufman says the Fed should raise short rates by at least three-quarters of a point this week, if not a full percentage point. Mr Wayne Angell, chief economist at Bear, Stearns, the Wall Street firm, and a former Fed governor, agrees. He sees few signs of slower growth and does not expect to see any until monetary policy begins to bite. That point will be reached only when people are uncertain whether the next move will be up or down.

Given the lags in monetary policy, there is always a risk of tightening when growth has already begun to fade. But with a global upswing gathering speed and the US jobless rate already in the inflationary danger zone, the greater danger today is that the Fed will fail to raise rates quickly enough – as it has in most previous cycles. The economy, in other words, is not because the monetary thermostat is still set too high, not because the adjustment process is sluggish.

Stephen Fidler on the border clashes between Peru and Ecuador

Neighbourly dispute

Democracies, it is said, do not go to war against one another. Peru and Ecuador, however, whose armies are battling it out over their common border, seem to be doing their best to refute the hypothesis.

Their dispute over a stretch of their common border, known as the *Candor Cordillera*, like the dozens of other border disputes all over Latin America, is a legacy of Spanish domination of the region. Uninterested in areas where they believed there was no mineral wealth, the Spaniards paid little attention to marking borders accurately. Ironically, the disputed zone is believed to be rich in gold, uranium and oil deposits.

The fighting shows the extent to which the new-found willingness of Latin American governments to co-operate on trade and economic matters – they have agreed to negotiate a western hemisphere free trade zone by 2005 – has yet fully to overcome decades of mutual suspicion between neighbours.

An official Ecuadorian communiqué said Peru was guilty of "a renewed aggression in an expansionary conquest which began as

soon as Ecuador declared independence in 1830". Peru's foreign ministry in turn accused the Ecuadorians of a "belligerent and aggressive" air attack on one of its guard posts in the *Candor Cordillera*.

The last major conflict was in 1941, when Peru invaded Ecuador. A 10-day war ensued, ending with the signing of the so-called Rio de Janeiro Protocol, which clearly defines the border between the two countries.

It is the January 29 anniversary of the signing of this protocol that regularly revives Ecuadorian nationalist sentiments and sparks border tensions. Congresses of both Peru and Ecuador ratified the treaty and four countries – the US, Brazil, Chile and Argentina – accepted the task of being its "guarantors". Mapping of the Ecuadorian-Peruvian border was completed in early 1947 by the US Air Force. Boundary markers were established along some 1,600km of frontier, but 78km in the *Candor Cordillera* stretch remained

unmarked and this is where the dispute now centres.

Ecuador has subsequently argued that it was obliged to sign the protocol under duress, saying it received no support from other Latin American nations because the US was obsessed with getting backing in the war against Japan. Since 1950 it has dubbed the protocol as "impossible to execute" and lays claim to an area of around 130 square miles in what, according to the Rio Protocol, is Peruvian territory.

Whatever the immediate cause of last week's fighting, observers in both countries see evidence that the clashes are inspiring by military establishments that face declining budgets. As in many other countries in the region, the armed forces of both countries are being deprived of resources as elected governments attempt to bring their budgets more under control.

In contrast to the general stereotype, most Latin American armed forces consume relatively moderate economic resources. According to the UN Development Programme,

Ecuador's military spending accounted for 1.4 per cent of Gross Domestic Product in 1990-91, compared with 2.4 per cent in 1980, while Peru's accounted for 2.0 per cent against 2.1 per cent 30 years earlier.

Over the same period, Ecuador's military spending dropped to a quarter of that spent on health and education from 104 per cent in 1960. Peru's dropped to under 40 per cent from 59 per cent.

But neither government has been willing or able to undertake reforms to convert their armed forces into modern professional armies. For the senior officers, periodic sabre rattling at real or imagined enemies reinforces the case for a higher share of government revenues.

The gossip in Lima's middle-class neighbourhoods suggests that the Ecuadorian armed forces are firmly in the driving seat, propelling a reluctant but weakened President Duran Ballen into a more belligerent position than he would like to assume.

In Quito, some see the clashes as

a result of the Peruvian army trying to justify its role, now that the battle against the terrorist group Sendero Luminoso has been almost won. Others suggest it is an electioneering tactic by President Alberto Fujimori, who faces a presidential poll in April and has been seen on television wearing fatigues.

In any case, argue the Ecuadorians, Peru's army is more than double the strength of Ecuador's; it has four times as many tanks, its navy and airforce are substantially larger, both in terms of man and firepower. Why would their army start a war they would be bound to lose?

Most observers of the conflict still believe it can be sorted out relatively quickly as the January 29 anniversary passes. The Organisation of American States was to meet yesterday at Ecuador's request to discuss the issue.

With both countries seeking an image of democracy and stability to encourage foreign investment, the belligerents could soon see it in their interests to begin talking.

Additional reporting by Sally Bowen in Lima, Raymond Collin in Quito and Sarita Kendall in Bogotá

OBSERVER

Pawnbroking consultants

"It feels like home," said Garry Kasparov in London yesterday, launching The Kasparov Consultancy. The world chess champion is now offering his services to western businesses keen not to burn their fingers in the turbulent corporate world of the former Soviet Union.

Kasparov has a lot of London in 1993, when he outlasted Britain's Nigel Short in a marathon chess tournament. Kasparov obviously likes Britons; his manager, business partner, and chairman of the new consultancy is Andrew Page, as British as they come, as is Peter Smith, the consultancy's chief executive and former group managing director of the International Leisure group. Page yesterday hailed Smith as "probably the single greatest expert on Russian aviation in the world". Barring occupants of the CIA's Russia desk, no doubt.

Page met Kasparov in 1983, and set up The Moscow Company in 1985, with Kasparov on board. One of their current projects is a planned series of TV dramatisations of KGB stories, employing a former KGB colonel as an adviser. Kasparov says the venture "is not just about selling my name". Nor that much of his time; he reckons on still devoting about 75 per cent of his working days to chess.

SHIL, his name on the masthead no doubt helps open doors, not least to Boris Yeltsin, Russia's president. Now rather to the left of Yeltsin, Kasparov strongly backed Yeltsin both before and during the abortive August 1991 coup. You want to see Boris?

Doctor, doctor

If company doctors' reputations hang on the longevity of their patients, Kajo Neukirch, Metallgesellschaft's chairman, will be taking more than a passing interest in the increasingly dodderly state of Klöckner-Humboldt-Deutz (KHD).

Neukirch was parachuted in to KHD by Deutsche Bank to rescue the German engineering company in 1987, and stayed there four years before moving on, satisfied presumably that his charge was back on the right road. His next assignment was Hoechst, where his skills were not properly tested since it was swallowed fairly soon after by Krupp. A year ago, Deutsche turned him again to sort out the Metallgesellschaft mess.

With a reputation for aiding the sickly parts of corporate Germany, it might get a touch embarrassing if KHD actually goes under.

Davos department

For sheer elegance, the one-liners of Shimon Peres, Israel's foreign

minister, take some beating. Expounding on politics and the Middle East at the Davos meeting of the world's bigwigs, Peres made clear his dislike of sound bites and opinion polls: "Television has made dictatorship impossible, but democracy unbearable," he said. Meanwhile, opinion polls are "like perfume. Nice to smell but dangerous to swallow".

Meanwhile, Davos seems to have induced a touch of modesty in otherwise ambitious politicians. Michael Portillo, the UK minister of employment and scourge of the European Union, attending Davos for the first time, was one of the few participants not to provide a photograph of himself for the fat little book listing all those at the forum. Moreover, when he was introduced at a press conference as "Sir Michael Portillo" he corrected the speaker, saying: "No. Merely Mister."

Kidnap capers

Marcello Alencar, less than a month into the job of governor of Rio de Janeiro, obviously intends getting tough with the crime bosses who have been growing rich on a flurry of recent kidnappings.

Six people have been kidnapped already since he took office – compared with 58 in 1994 – and Alencar has asked the central government to outlaw the payment of ransoms and the freezing of family members' assets as soon as a

kidnapping occurs. Italy tried a similar, and apparently successful, move in 1989. Persuading central government to pass such a law will be difficult and will take time. The 14 people currently being held by kidnappers must be hoping their families come up with the money soon. In case Alencar succeeds in getting the statute book altered.

Flying high

Good old Volker Röhre, the German defence minister. For a while he's been pushing to have German Tornados sent to former Yugoslavia to help the UN. But because there's still plenty of opposition to the idea of German airmen flying around Europe, Röhre has come up with another idea – and sent three Tornados to help prevent rivers flooding western Germany.

Nobody quite knows why the Tornados are needed to photograph the flooding Rhine; but then practice makes perfect.

Little porkies

Asian stockmarket players are wondering if the advent of the Chinese year of the pig will bring good news. Prize for most optimistic forecast of events goes to a headline in a Bangkok English language newspaper: "Year of the porker will be a corker".

Financial Times

100 years ago

Railway meetings
Mr Laing [chairman of the London, Brighton and South Coast Railway] died yesterday upon two critical points of Home Railway finance – the increase in rates and taxes and the relations of labour and capital, which are complicated so far as the railways are concerned by the arbitrary interference of the Board of Trade.

If you shorten the hours of labour to the limit, which possibly well-meaning but mistaken faddists insist on, you reduce the prospect of any increase in wages. ... And as the railway employee stands in an altogether exceptional position, so his case should be considered with reference to its special circumstances and not simply as a unit of labour in this great work-a-day world.

50 years ago

Plan for settlement
Preparations are now being made for the settlement of personal and commercial debts between persons and firms in Britain, Belgium, the Netherlands and Norway. In Britain, the money and assets will be collected in due course by the custodian of enemy property.

Franc faces bumpy ride to poll

Electoral contests spell turbulence for currencies, and the battle to succeed President François Mitterrand is no exception.

As the campaign gathers steam, the French franc faces bouts of anxiety.

A sharp fall at the end of last week pushed the currency to below FF93.473 to the D-Mark, its lowest point for 14 months.

It stabilised yesterday in quiet trading, but economists predict further volatility before the election in the spring.

"The franc faces a bumpy ride as the campaign heats up," says Mr Jean-François Mercier, economist at Salomon Brothers, the US investment house.

He argues that market jitters have been exacerbated by a broader shift to the D-Mark following the ordeals of the lira and the peseta.

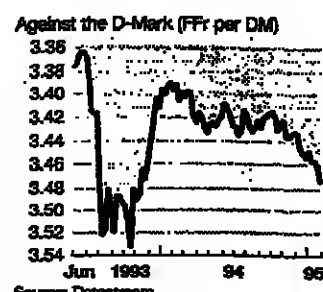
The volatility and recent weakness of the franc reflect a series of concerns among international investors. They fear a bitter and divisive campaign as rivals try to narrow the gap on Mr Edouard Balladur, the prime minister and front-runner in the polls.

They are also wary of the lingering threat of corruption scandals which forced three resignations from Mr Balladur's government last year.

Investors are also weighing a series of sensitive issues of government policy. These include the French stance towards further European integration and its

International investors fear a divisive election campaign in France, writes John Ridding

French franc



commitment to cutting its budget deficit and to satisfying the convergence criteria for European monetary union.

The common thread behind these concerns is that what is bad for Mr Balladur is bad for the franc. "He is regarded as a safe pair of hands," says Ms Esther Baroudy, senior economist at Crédit Lyonnais in Paris.

The decision by Mr Jacques Delors, the former president of the European Commission, not to run as the Socialist party candidate has left Mr Balladur occupying the high ground of fiscal and monetary orthodoxy.

Over recent weeks he has sought to consolidate his image of one who is committed to budgetary rigour and anti-inflation-

ary virtue. He has declared that France will be in a position to satisfy the conditions for monetary union by 1997, including budget deficit cut to a maximum 3 per cent of gross domestic product.

But Mr Jacques Chirac, a fellow Gaullist and Mr Balladur's principal rival in the polls has been more equivocal.

When he called for a referendum on monetary union at the end of last year he shook the foreign exchange markets. In spite of a retraction, doubts remain about his convictions.

Further to the right of the political spectrum, Mr Philippe de Villiers and Mr Jean-Marie Le Pen, the head of the extreme right National Front, do not try to conceal their hostility to the Maastricht project.

Mr Balladur has left such rivals trailing in his wake. But the size of his lead in opinion polls, which gives him a double digit cushion over all possible challengers in the second round run-off, has prompted fears of desperate attacks from his competitors.

"There is a risk of dirty tactics," says one currency economist. "People will be looking for skeletons in Mr Balladur's closet and claiming to find them even if they are not there."

On Friday, for example, traders blamed a sharp fall in the franc on reports of an illegal slush fund created to finance the Gaullist RPR party in the presidential polls.

But if the reaction demonstrated the sensitivity of markets to political rumours, however speculative, most economists point to a series of factors which will buttress the currency and limit declines. The fundamentals of the French economy have rarely been stronger, with GDP forecast to grow by almost 3.5 per cent this year and inflation stifled at an annualised rate of 1.6 per cent.

The election will be the first to be fought with monetary policy under the control of an independent Bank of France, while the reform of the European exchange rate mechanism after the currency crisis of the summer of 1993 has reduced the risk of speculative attacks.

"It used to be a one-way bet because the French authorities would have to support the currency at the old ERM floor," says an economist at Banque Indosuez. "That is no longer the case. So it is a much riskier proposition for an assault, particularly since a Balladur victory is likely to mean appreciation of the currency after the election."

Deutsche Telekom

Continued from Page 1

should be complete by this autumn.

The pressures on the minister reflect concerns within the industry over the Bonn coalition's ability to speedily to formulate a regulatory framework and new legislation.

These would have to be acceptable to both the Bundestag, where the coalition has a majority of only 10, and the opposition-dominated upper house, where the rights of the individual Länder are zealously guarded by an opposition majority.

Flood waters go on rising

Continued from Page 1

barges were at a standstill yesterday after the Netherlands and Germany closed inland rivers to shipping. No barge movements were expected until at least Friday. In Belgium, no boats were allowed to travel between the northern towns of Bruges, Ostend and Ghent.

Insurance claims from the latest floods are likely to be substantial. Insurance companies yesterday said preliminary indications suggested that losses might compare to those of December 1993 when floods affected large parts of Europe.

UK foreign minister 'not under threat over Europe'

By Robert Peston, John Kampfer and Kevin Brown

The UK prime minister's office said yesterday that Mr Douglas Hurd's future as foreign secretary was "under no threat" and accused Eurosceptics of running a campaign to destabilise him.

After a day of widespread speculation that the cabinet's delicate unity on Europe may be close to breaking, Mr Hurd said in a series of interviews that he remains committed to overseeing the government's strategy for next year's Intergovernmental Conference on the future of the EU.

Mr Hurd said: "I look forward to going on tackling them [the aspects of his work at the Foreign Office]."

He also accused Eurosceptics of running a campaign against him. A senior Tory Eurosceptic said that there was "a widespread view that Douglas should go now". Mrs Teresa Gorman, one of nine Conservative rebel MPs stripped of the party whip at the end of last year, described Mr Hurd as "yesterday's man".

However, a close aide of Mr Hurd said the pressure only reinforced his determination to stay. "Douglas has made no decision at all about when he wants to go," the aide said.

Meanwhile, the nine Conservative rebel MPs said the more



John Major: Douglas Hurd was "under no threat"

sceptical line being adopted by the cabinet on the EU did not yet meet all their concerns. They also ridiculed the assertion by Lord Howe, former foreign secretary, that the prime minister's more sceptical EU policy was "a return to the status quo".

"The mood music is fine," said Mr Tony Marlow, one of the rebels. "But music can be turned up or down at will."

Another rebel, Mr John Wilkinson, added: "We must nail them down to at least some specific points. We need hard, concrete, bankable guarantees."

Mr Malcolm Rifkind, the defence secretary, yesterday

slightly elaborated policy agreed by the cabinet last week when he said there was no possibility of the UK surrendering its sovereignty over defence policy.

"The basis of future security structures will be that action in the defence field should be intergovernmental, based on co-operation between national states, and not dictated by supranational bodies."

In a keynote speech setting out Labour's approach to the intergovernmental conference, Mr Robin Cook, shadow foreign secretary, ridiculed the cabinet's agreement to veto constitutional change as a desperate move to rebuild Conservative unity.

But Mr Cook ruled out a common EU foreign and security policy, and warned that Labour would not accept the Maastricht criteria for economic and monetary union.

"Europe must be a community of free member states. Labour rejects the concept of a European super state. The EU must be based on a sharing of national interests, and not on the surrender of national identity," he said.

The tone of Mr Cook's comments reflects concern among Labour strategists that Mr John Major will seek to fight the next general election on a nationalist platform, portraying Labour as the party of European federalism.

Editorial Comment, Page 15

THE LEX COLUMN

Deutsche stumbles again

Deutsche Bank has found itself embroiled in at least three embarrassing corporate debacles in as many years. Two years ago it was Metallgesellschaft, last year it was Schneider and now it is Klockner-Humboldt-Deutz. Its massive balance sheet can survive such shocks with relative ease, but its reputation has taken an undoubted knock.

The near collapse of KHD is in part another example of the weaknesses of German-style corporate governance. Deutsche Bank is KHD's biggest shareholder and biggest lender. The chairman of KHD's supervisory board has traditionally been a member of Deutsche's management board. Yet such closeness has not exactly helped the company prosper. Indeed, the security afforded by Deutsche's large shareholding has arguably contributed to the problem, by shielding KHD's management from the need to generate adequate returns for minority shareholders. What restructuring there has been over the past five years has clearly not been effective, and in the meantime management has been allowed make a commercial gamble by investing DM600m in a new diesel engine factory.

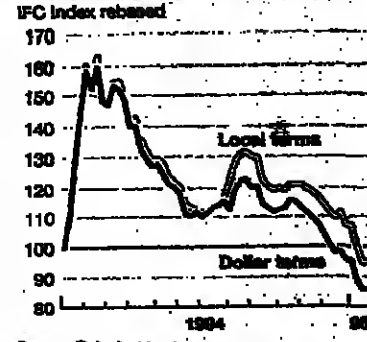
The KHD affair will increase the pressure on banks to scale back their engagement in German industry. The pressure comes chiefly from politicians but the banks themselves should now recognise that it will be in their own commercial interest over time to cut their direct equity participation in industrial companies.

FT-SE Eurotrack 200:

1363.0 (-7.1)

Hungarian equities

100 index rebased



situation slips. Mr Bekesi was trying to tighten fiscal policy to shrink Hungary's current account deficit, which stood at \$4bn or 10 per cent of GDP last year. He was also pressing for swift privatisation of utilities in order to raise cash to plug the deficit. The risk is that Mr Gyula Horn, the prime minister, will now adopt the populist course of avoiding budget cuts and delaying privatisation. Moreover, if foreign investors become scared, direct investment could dry up and the central bank could find it hard to replenish its reserves by issuing bonds. Hungary's reserves may now cushion it from crisis, but they could easily be depleted.

Kingfisher

Successful retail regeneration tends to involve a fair degree of corporate shrinkage: witness Next and Storehouse, both of which are now thriving after breaking themselves up and returning to basics. Up to a point, Kingfisher could do with the same treatment.

The group has become an unfocused retail conglomerate. There was a time when the sheer variety of businesses was in itself no handicap; the central management team could claim legitimately that it had skills which could add value to retail businesses, whatever the sector. However, that is no longer the case. Sir Geoffrey Mulcahy, the group's newly demoted chief executive, should thus be prepared to sell off parts of the empire which he created if that is an effective way of creating value for shareholders. There is one obvious candidate for disposal: Comet, which is struggling in a

fiercely competitive market and yet could find a buyer among regional electricity companies, keen to expand in electrical retailing.

Thereafter, though, it is not so easy to identify what should be sold and what kept. With gearing of some 40 per cent, Kingfisher is not under severe financial pressure and is under no obligation to make fire-sales. Moreover, there is no point in selling off the stronger businesses, such as Darty or B&Q, simply to be left with the weaker Woolworths at the core. There will thus be no quick fix at Kingfisher: painstaking labour to rebuild Woolworths as a retailer will be as important a part of the group's revitalisation as disposals.

Northern Electric

Statistical horse trading over Trafalgar House's £1.2bn offer for Northern Electric has become somewhat of a sideshow. Only Mr Michael Heseltine, trade and industry secretary, can spark life back into this bid, and his decision on possible referral to the Monopolies and Mergers Commission will not emerge until next week at the earliest. In the meantime, Trafalgar's latest circular probably says more about the bidder itself. Trafalgar plans to revalue its target in line with Northern's latest current cost accounting, adding £340m to its assets. This would substantially cut Trafalgar's reported gearing after a deal to 51 per cent. But the downside would be depreciation of a larger asset base. This would knock over £10m off annual profits, reducing the boost to Trafalgar's reported earnings per share from the well publicised tax benefits from a deal.

The fact that Northern's share price is 8 per cent below Trafalgar's cash offer reflects the expectation that such sums may be irrelevant, due to an anticipated MMC referral. Much of this revolves around concerns in Newcastle about control moving to a south of England company with Hong Kong connections. The irony is that if Trafalgar's operations had a much stronger French, German or Italian bias, its offer would be examined in Brussels. Since the European Commission's focus is narrowly on competition issues, there would be no chance of the deal being hindered by UK "public interest" concerns. So much for the level playing field.

Additional Lex Comment on UK companies pages

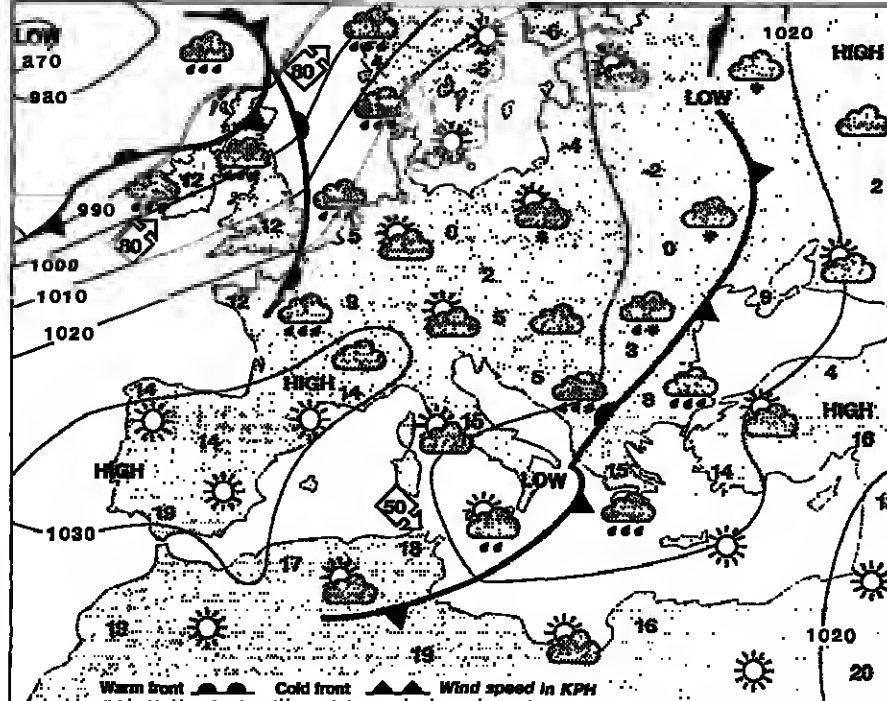
FT WEATHER GUIDE

Europe today

Moist and mild air will move east over the British Isles. Temperatures will be above 10C with plenty of rain, especially in Scotland and Ireland. A severe gale is expected for Ireland. Rain will reach the Low Countries and western France later in the day. Meanwhile, high pressure over central Europe will bring rather sunny conditions to Poland, the Alps and Italy with a slight risk of snow showers in the Alps. High pressure will dominate Spain and Portugal where abundant sunshine is expected. South-east Europe will have rain and Turkey will have a mixture of sun and cloud with a risk of showers.

Five-day forecast

A lot of rain is expected in northern France, the British Isles, the Low Countries and Germany with continued risk of flooding. Spain and Portugal will stay settled with abundant sunshine, although on Wednesday a band of cloud will cross the area giving light rain in the north-west. High pressure will dominate the Balkans with sunny conditions from Hungary southwards to Bulgaria. Rain is expected in Greece and Turkey, but more settled conditions will prevail from Thursday.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

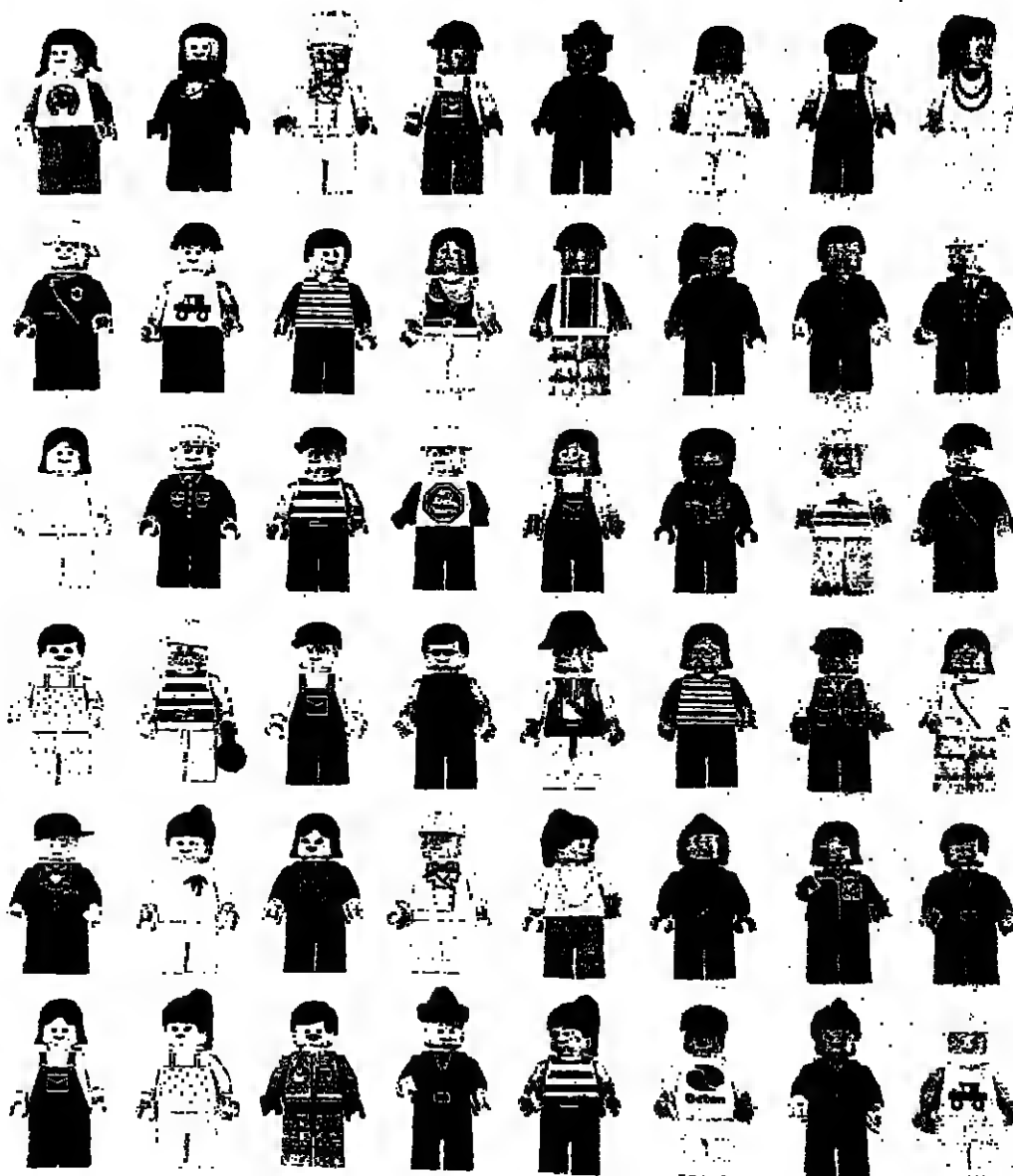
TODAY'S TEMPERATURES

	Maximum	Minimum
Abu Dhabi	32	23
Accra	32	23
Algiers	17	10
Amsterdam	16	10
Athens	16	10
Atlanta	16	10
B. Aires	16	10
Bham	16	10
Bangkok	16	10
Batavia	16	10
Bombay	16	10
Buenos Aires	16	10
Cairo	16	10
Cape Town	16	10

Caracas	sun	28	Faro	sun	18	Madrid	sun	13	Rangoon	fair	33
Cebu	sun	28	Frankfurt	sun	12	Moscow	sun	17	Reykjavik	snow	17
Colon	sun	28	Geneva	cloudy	7	Munich	sun	17	Rio	sun	18
Columbus	sun	28	Helsinki	cloudy	4	Newcastle	rain	12	Rome	sun	17
Dakar	sun	28	Lisbon	sun	18	Manila	sun	11	S. Francisco	cloudy	17
Dallas	sun	28	London	sun	12	Melbourne	sun	23	Seoul	sun	21
Dhaka	sun	28	Lyons	sun	12	Mexico City	sun	20	Singapore	showers	28
Hankow	sun	28	Nairobi	sun	23	Montreal	sun	11	St. Petersburg	sun	8
Hong Kong	sun	28	Paris	sun	12	Nassau	sun	23	Sydney	showers	18
Honolulu	sun	28	Perth	sun	12	New York	sun	17	Taipei	sun	18
Istanbul	sun	28	Port of Spain	sun	28	Nice	sun	15	Tokyo	cloudy	8
Jakarta	sun	28	San Jose	sun	28	Nicosia	sun	17	Toronto	snow	2
Jersey	cloudy	13	San Pedro	sun	28	Oulu	sun	17	Vancouver	rain	10
Karachi	sun	28	Sao Paulo	sun	28	Paris	sun	12	Warsaw	snow	1
Kuala Lumpur	sun	28	Shanghai	sun	28	Perth	sun	12	Washington	cloudy	17
Lima	cloudy	27	Singapore	sun	28	Prague	sun	12	Wellington	cloudy	17
London	sun	12	Singapore	sun	28	Reykjavik	sun	17	Winnipeg	fair	1
Lucembourg	cloudy	3	Singapore	sun	28	Zurich	sun	12			
Lyon	sun	12									
Madrid	sun	13									

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SPOT THE REFUGEE

There he is. Fourth row, second from the left. The one with the moustache. Obvious really.

Maybe not. The unsavoury-looking character you're looking at is more likely to be your average neighbourhood slob with a grubby vest and a weekend's stubble on his chin.

And the real refugee could just as easily be the clean-cut fellow on his left. You see, refugees are just like you and me.

Except for one thing.

Everything they once had has been left behind. Home, family, possessions, all gone. They have nothing.

And nothing is all they'll ever have unless we all extend a helping hand. We know you can't give them back the things that others have taken away.



United Nations High Commissioner for Refugees

We're not even asking for money (though every cent certainly helps). But we are asking that you keep an open mind. And a smile of welcome.

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UNHCR Public Information
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1211 Geneva 2, Switzerland

INTERNATIONAL COMPANIES AND FINANCE

Usinor Sacilor presses its case for privatisation

By John Riddling in Paris

Usinor Sacilor, the French state-owned steel group, is pressing its case for privatisation, claiming that the government should capitalise on the upturn in the industry to implement a sale.

"We are in a cyclical sector. Financial circles are therefore saying to the state that if you want to privatise in the best conditions possible, don't wait for the results of Usinor Sacilor to be even better," said Mr Francis Mer, chairman, in an interview at the weekend.

He estimated that the group would be worth more than FF200bn (\$3.8bn), but stressed that the valuation of the company was a matter for the privatisation commission, an

independent body which advises the government on the sale of public sector assets.

A company official stressed yesterday that decisions concerning the timing of privatisation were up to the company's state shareholder.

Usinor Sacilor is one of 21 companies slated for sale or already sold by the centre-right government of prime minister Mr Edouard Balladur. Its credentials as a privatisation candidate have been strengthened by a return to profit in the first half of last year, when the company reported a net result of FF471m. Steel industry analysts expect a further increase in the second six months.

Industry observers rule out any privatisation or flotation of Usinor Sacilor's shares

before this spring's presidential polls. They add that the steel group must await a number of other privatisation issues. These include Sella, the tobacco group; Bill, the computer manufacturer; and, possibly, Renault, the motor group which was floated last year.

The sale of the steel group would also be a complex operation. It has debts of about FF200bn and comprises several troubled activities, notably its long products business. As a result, industry analysts have suggested that privatisation would coincide with a capital increase or that the company could be sold in parcels. However, Mr Mer has denied that the flotation of Ugin, its stainless steel division, serves as a model for future operations.

Schneider confident of strong growth

By John Riddling

Schneider, the French electrical engineering group, expects a significant increase in profits this year, according to Mr Didier Pineau-Valencienne, chairman.

He struck an upbeat note about the company's prospects, in an interview with Les Echos, the French financial daily. His optimism was based on strong demand from industrialising economies and a recovery in investment in developed markets. He said the group should be able to double last year's net profits by 1997-98.

Company officials declined to indicate the level of 1994 profits. But Schneider has previously indicated that its net result would rise by more than the 58 per cent increase, to FF245m (\$65.8m), achieved in the first half of the year. In 1993, Schneider reported net profits of FF405m.

The Schneider chief rejected the possibility that he might stand down as a result of his involvement in a Belgian corruption investigation. Last year, a magistrate investigating alleged discrimination against minority shareholders in two of the group's Belgian subsidiaries issued an international arrest warrant for Mr Pineau-Valencienne. As a result, the Schneider chairman, who firmly rejects any wrongdoing, has been unable to leave France.

According to Mr Pineau-Valencienne, there is no need for reorganisation of the company's management, nor to change the group's strategy. Difficulties in running the group had been overcome through the use of video-conferencing and the decentralised nature of Schneider's management.

Mr Pineau-Valencienne said he hoped an independent audit of the two Belgian subsidiaries would elucidate the case. According to Schneider, the audit clears the chairman of wrongdoing. But it raises questions about the removal of funds of FF390m from the subsidiaries on the orders of Mr Jean Verdout, the late chairman of the subsidiaries.

Nomura mounts siege on funds

Action draws admiration and anger from local Slovakian investors

Nomura International's attempt to break up Slovakia's biggest investment privatisation fund and use some of its assets to create a new fund aimed at foreign investors has drawn equal measures of admiration and anger from local investors.

The Japanese investment house secured approval on January 23 from shareholders of VUB Kupon, the Bratislava fund of which it owns 31.4 per cent, to allow it to exchange its shares in the fund for pro-rata stakes in the shareholdings in the fund's portfolio.

Nomura is seeking to do what many Czech and Slovak investment fund managers would like to do if they had the capital - to realise the huge profit to be made by closing the gap between a fund's net asset value and the market price of its shares. If it is successful, Nomura stands to make tens of millions of dollars in profit.

"Every time there is a discount we all run around saying how wonderful it would be to realise the profit," said Mr Zdenek Bakala, chairman of Patria Finance, a Prague investment bank. "Nomura is the first to do it. They were the first to put their own capital into it."

Nomura bought into VUB Kupon, which owns a portfolio worth about \$400m, last September, paying \$65m for the stake, which it acquired from Vseobecna Uverova Banka (VUB), Slovakia's dominant commercial bank. Nomura is

also believed to have bought 20 per cent of VUB Invest, which manages the portfolio, but neither company would confirm this.

It is understood that when the investment was made, the agreement included an exit provision for Nomura, similar to the one it secured at

Czech and Slovak banks. Insurance companies and industrial groups, have so far not attempted to break up funds to realise profits.

This may change if Nomura succeeds with its proposal, though local owners are hampered by a lack of capital and depressed stock markets. The

depend on dividends from their investment to boost paltry pensions, attended last week's meeting.

"Some shareholders want to get the same [treatment] as Nomura, to get the net asset value," said Mr Richard Schulz, managing director of Schultz & Ostrovsky, a Bratislava brokerage. He said the proposal "is not good for other VUB Kupon shareholders" because it reduces the assets of the company they own by almost a third without offering them any compensation.

Nomura said it does not expect a legal challenge. If its proposal succeeds, Nomura will own a portfolio of shares worth at least \$100m, 75 per cent of which is invested in Czech shares.

Several of these stakes, including those in Radek, a leading brewer, Tabak, the Philip Morris-controlled cigarette company, and Skoda, the engineering group, are big enough to be attractive to strategic investors at premium prices and are difficult to pick up in the market, where lack of liquidity hampers trading.

The Prague stock exchange is set to double in size in March when shares from the second wave of mass privatisation begin public trading.

The prospect of an assault on some of the 340 investment funds that are the main players in the market should add some extra spice to activity. Brokers hope it will be the fillip the market needs to end a long slump.

Currency brokers quit Matif

By Andrew Jack in Paris

Matif, the French financial futures exchange, yesterday suffered a blow with the announcement that six of the broker firms which joined its new currency options markets last year had withdrawn.

The exchange listed 10 brokers which had agreed to trade in dollar-franc and dollar-D-Mark options contracts for 1995, including one firm joining for the first time, Parosco.

However, last year there were 15 brokers at the time the contracts were launched in May 1994, of which six have withdrawn. These include BZW, PineWebber and Indosuez.

The resignations came at a time when the volume of options traded has been relatively low.

A total of 300,000 options were traded between the two sets of currencies last year, which Matif said allowed it to gain market share.

The organisation refused to provide explanations for the resignations of the brokers and called the first few months of the contracts "encouraging" at a time when volatility was low in the markets concerned.

It said in an official statement: "Certain developments are under study with a view to promoting proper development of these products in concert with our associated brokers' activity," but refused to elaborate.

Great-West Life increases net by 23%

Great-West Life, the North American life insurer controlled by Montreal's Power Financial, increased 1994 net profit to C\$157.4m (US\$132m) or C\$2.35 a share, up 23 per cent from C\$12.5m, or C\$1.93, in 1993, writes Robert Gihens in Montreal.

Total revenues were C\$6.07bn, up 15 per cent. The lower Canadian dollar helped, but life insurance business was up 30 per cent, health 25 per cent and annuities ahead 38 per cent.

Sharp rise in turnover at Hochtief after takeover

Hochtief, Germany's second biggest construction company, reported a strong rise in turnover following its takeover last year of Ballast Nedam, the Dutch construction company, writes Michael Lindemann in Bonn.

Turnover in 1994 rose 31 per cent to DM10.5bn (\$6.9bn), up from DM8.5bn the year before. New orders rose 12.6 per cent to DM11.6bn while orders on hand increased 12.4 per cent to DM10.4bn. The company's profits will be published with the full results in May.

Hochtief has a 20 per cent stake in Holzmann, Germany's biggest construction group, and is seeking to raise its stake to 30 per cent giving it a minority blocking stake.

Holzmann has vowed to fend off Hochtief's advances, maintaining that co-operation between the two would lead to too much concentration in the German construction market.

The federal cartel office sided with Holzmann but Hochtief last week said it would take the issue to court, saying the cartel office's examination of the market was "mistaken".

Portuguese Marconi suspended

By Peter Wise in Lisbon

Shares in Companhia Portuguesa de Rádio Marconi, Portugal's intercontinental telecommunications operator, were suspended before trading opened yesterday as reports emerged of its valuation prior to a merger with state-owned Portugal Telecom (PT).

Three bank syndicates were reported to have independently valued Marconi, which is 51 per cent state owned, at between ES99bn and ES115bn

(\$626m-\$735m). This would place a minimum value of ES232 a share on Marconi - almost 40 per cent higher Friday's closing price of ES4,502.

Marconi is to be merged with PT before a global offer of an expected 25 per cent of PT, planned for May. Officials have said Marconi's private shareholders would be invited to exchange their holdings for shares in PT.

Portugal's Securities and Exchange Commission yesterday sought official clarification

of the reported valuations. These gave PT a total value of between ES250bn and ES300bn, including the state's holding in Marconi.

Comunicações Nacionais, the state holding company for telecommunications, said the reported valuations corresponded to draft values that were still under negotiation.

Marconi shares were expected to be readmitted to trading today. The company said it expected a 1994 net profit of ES6bn, up from ES4.1bn in 1994.

Strikes take toll on Seat

Seat, Volkswagen's Spanish subsidiary, has lost about Pt2.5bn (\$19.01m) as a result of a series of strikes which have disrupted its Martorell plant near Barcelona this month, Reuters reports from Madrid.

Production ground to a halt for three days because of a parts shortage after strikes earlier this month in protest at the company's plan to make further redundancies.

Hannover 8th-15th March, 1995

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DEUTSCHE MESSE AG, HANNOVER/GERMANY

Prices for electricity generated by the

in England and Wales

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Commodity & Financial

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(the "Company")

(Incorporated in the Republic of Korea with limited liability)

U.S. \$25,000,000

3 1/2 per cent. Convertible Bonds due 2006

(the "Bonds")

NOTICE IS HEREBY GIVEN to the holders of the Bonds that the

Company has declared a dividend of 154.44 shares of its

common shares registered on the shareholder list as of December

1994. Under mandatory provisions of Korean law, the proposed dividend

will be submitted for approval to a general meeting of shareholders to be

held in the near future.

A further Notice will be given to the holders of the Bonds of any

adjustment to the Conversion Price in relation to the Bonds as a result of

such share dividend.

31st January, 1995 Dong-A Pharmaceutical Co., Ltd.

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INTERNATIONAL COMPANIES AND FINANCE

Daiei set to post Y25bn loss after Kobe earthquake

By Emiko Terazono in Tokyo

Daiei, Japan's largest retailer, said it would post a net loss of Y25bn (\$250m) in the current financial year to February, largely as a result of the earthquake that devastated the Kobe region two weeks ago. It is the first group in the industry to announce losses stemming from the disaster.

Mr Isao Nakaguchi, the company's chairman and president, said the retailer had suffered some Y50bn in damages from the earthquake and from lost sales due to the closure of stores in Hyogo prefecture.

Mr Nakaguchi also announced his resignation as vice-chairman of the Keidanren - the prestigious business leaders' federation - in order to give his full-time attention to his national retail network.

Mr Nakaguchi added that the company was forecasting net profits of Y14bn for the next business year to February 1996. Daiei's announcement is seen by many analysts as the first in a series of downward corporate profit revisions due to the earthquake.

At the same time, however, many companies which had announced optimistic earnings projections at the beginning of the current business year are expected to use the earthquake

as an opportunity to scale down their previous estimates.

"Although Daiei had forecast a 25 per cent rise in sales for this year, it wasn't meeting the target through September to December," said Ms Victoria Melendez, retail analyst at brokers Morgan Stanley in Tokyo.

Moreover, while officials at Daiei said earnings from the retailer's other stores could eventually cover the losses, the effects of the earthquake could have serious implications for Daiei, which already is running on a high cash flow deficit on a consolidated basis.

Its day-to-day operations depend on a delicate financial structure, and "it's likely to see a further deterioration of its balance sheet," said Ms Melendez.

Other retailers are also expected to be hit by store closures and damages as a result of the earthquake. Daimaru, which derives 20 per cent of its sales from Kobe, and Sogo, which posts half its sales from the region, are expected to be seriously affected.

Mitsukoshi, the prestigious department store, said sales would fall short of expectations of Y768bn by Y2.5bn due to the quake. The company sees pre-tax profits hit by Y1bn, but will offset losses by selling some of its stock portfolio, raising Y700m.

Japanese stores chain hit by losses at financial unit

Seiyu, a Japanese supermarket chain, lowered its group earnings estimates yesterday, due to losses at its financial subsidiary, writes Emiko Terazono.

The company cut its estimate for consolidated recurring profit, before extraordinary items and tax, for the current year to the end of February from Y26bn to Y21bn (\$212m), down 10.3 per cent from the previous year, while its consolidated after-tax profit was halved from Y8bn to Y4bn, a 45.2 per cent decline from a year earlier.

Seiyu said it would extend Y18.7bn to Tokyo City Finance,

a finance subsidiary faced with mounting losses due to the plunge in the Japanese property market. The retailer will post Y18.7bn in unconsolidated extraordinary losses for the current business year but left its non-consolidated earnings estimates unchanged as it will offset the losses by selling shares in Familymart, its convenience store subsidiary listed on the Tokyo stock exchange.

After the stock sale, Seiyu will still remain as the largest single stockholder with a 40 per cent stake, down from 46.2 per cent.

AMP takes on outsider to run UK operation

By Nikki Tait in Sydney and Alison Smith in London

The Australian Mutual Provident, Australia's largest life office, yesterday announced that it was bringing in an outsider - Mr Richard Surface, currently managing director of Sun Life International - to run its UK operations.

Mr Surface, a 46-year-old American, will become managing director of AMP UK, where the group owns Pearl Assurance and London Life. Mr Surface, who takes up his post tomorrow, will also become managing director of Pearl.

The appointment is the latest in a series of senior management changes which have taken place at AMP since Mr George Trumbull, another American, was recruited from Cigna to manage the institution last year. The AMP has long been viewed as a solid, but highly conservative and bureaucratic organisation, and has been trying to shake off this image as competition in the home market intensifies.

Mr Trumbull foreshadowed management changes at the UK operations when he released the AMP's 1994 new business figures two weeks ago.

While these showed a 6.8 per cent increase in total worldwide premiums and contributions last year, to A\$8.2bn (US\$5.2bn), Pearl's new business declined by 13 per cent, and total premiums fell 7.5 per cent, in sterling terms.

Mr Surface's remit will include examining new distribution methods for Pearl, whose business is currently based largely on a direct sales force.

Apart from the fall in new business, Pearl is also caught up in the work organised by the regulators in response to public concern that thousands of people received poor advice to buy personal pensions and opt out of occupational schemes.

Mr Surface joined Sun Life as general manager in charge of corporate development five years ago, after eight years with American Express.

Malaysian car group seeks fresh inroads

Proton will find the competition tough as it targets new markets, says Kieran Cooke

It has been a busy few days for Proton, the Malaysian car manufacturer. At the end of last week, Dr Mahathir Mohamad, Malaysia's prime minister, launched a new 2-litre version of the Proton, called the Perdana.

At the weekend Dr Mahathir flew to the Philippines to launch a joint venture to build a Proton manufacturing facility near Manila - the car-maker's first such plant outside Malaysia. Meanwhile, Mrs Rafidah Aziz, Malaysia's minister for trade and industry, was in Brussels launching Proton's first left-hand drive models on the European continent.

Proton has come a long way since the first car rolled off its assembly line in 1986. Production has climbed to about 120,000 units a year. Proton now has a 72 per cent share of domestic car sales and is an aggressive exporter, making significant inroads into the UK market.

A project inspired by Dr Mahathir, Proton is seen by some as a symbol of Malaysia's new found economic dynamism. But others are more circumspect. "Proton has achieved a lot," says one Kuala Lumpur analyst. "But it's been a bit carried away by its success in the home market. It will find competing with the big boys overseas increasingly tough and it could get hurt."

Proton's main problem is achieving the economies of scale necessary for long-term profitability. What Proton produces in year, the big Japanese manufacturers turn

out in a couple of months.

Mr Mohammad Nadzmi Mohammad Salleh, Proton's 40-year-old managing director, says an economic level of production in modern car manufacturing is between 250,000 and 300,000 units a year.

"We want to achieve that as soon as possible," says Mr Nadzmi.

Last week Proton announced it was examining plans for a new plant capable of producing 250,000 to 300,000 cars by early next century. Proton's plant at Shah Alam outside Kuala Lumpur has a capacity of 150,000 units.

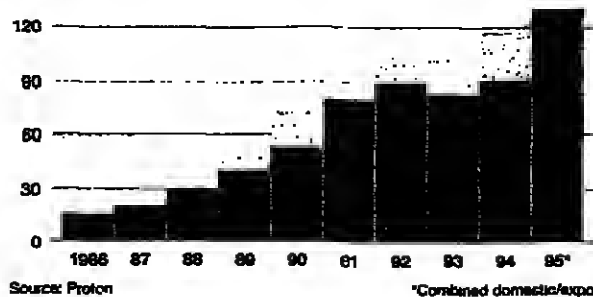
The other big challenge is to keep prices down. Proton is produced in partnership with Mitsubishi of Japan, which has a 17 per cent stake in the company. When Proton started production, it was heavily reliant on Mitsubishi, sourcing almost all parts from Japan. But now about 70 per cent of the car is produced in Malaysia and top management is almost all local.

However, core technology and high-value items, including much of the transmission system, are still imported from Japan.

Proton has had to cope with a steep rise in the cost of its Japanese imports over the past two years as the Malaysian dollar has depreciated nearly 20 per cent against the yen.

Comparatively low wages in Malaysia, together with recent productivity increases, have helped hold down prices. But profit margins have been

Proton

Production volume
Units ('000)

Source: Proton

squeezed. Pre-tax profits in 1993-94 were M\$2.11m (US\$1.11m) on turnover of M\$3.04bn. In 1992-93 pre-tax profit was M\$3.10m on M\$2.3bn turnover.

Dr Mahathir sees Proton as an important element in realising his vision of turning Malaysia into a fully industrialised country by the year 2020.

He has strongly criticised the Japanese for what he sees as their reluctance to transfer technology to Proton. The company has recently opted to source supplies from other producers in order to avoid yen imports and gain access to a wider range of car manufacturing technology.

Disruption to supplies from Japan caused by the recent Kobe earthquake is providing a further stimulus to seek parts elsewhere.

Under an agreement signed last year with Peugeot-Citroen of France, Proton plans to produce its first non-Mitsubishi car - likely to be a diesel-engined vehicle in the 1.65lcc to 1.25lcc range.

Proton is also considering producing engines and four-wheel drive vehicles in co-operation with Rover of the UK.

While the automotive trade has generally been positive about Proton's products, the car's success has depended largely on its privileged position in the Malaysian market where steep import tariffs on other makes give it a considerable price advantage.

A total of 127,177 Protons were sold last year - 110,000 of them in Malaysia - and Proton admits that with the domestic market at near saturation point it has to export to survive.

The bulk of exports go to the UK but over the next few years Proton aims to increase exports significantly, particularly to the European Union.

In the UK, one of the main ingredients of Proton's sales success has been price. The UK prices of Protons start at about M\$28,000. In Malaysia the cheapest Proton costs more than M\$30,000. Under the EU's generalised system of preferences (GSP), Proton has full exemption from UK import duties.

If Proton starts to make its presence felt in the EU car market, Europe's motor manufacturers might argue for a revision of Malaysia's GSP status - or demand the removal of its protective import duties. Proton sees its market niche as being below the price range for equivalent Japanese makes, but slightly above those from South Korea.

This is one of the most competitive areas of the market and Proton is finding it difficult to make further inroads in the UK. The indications are that its sales there were slightly down last year.

But, nurtured and encouraged by Dr Mahathir, Proton is exploring new markets. It is seeking joint venture agreements in Vietnam and China and counts Chile and Argentina among its latest export destinations.

Proton's Mr Nadzmi has always conceded the going will be tough. "There's no turning back," he says. "We have to succeed."

JCI gives detail of mine merger

By Mark Suzman in Johannesburg

Development of the new South Deep mine would cost R2.73bn (\$771m), according to Johannesburg Consolidated Investments which yesterday gave details of the merger of the South Deep development with its Western Areas gold mine.

However, tax and other benefits would reduce the total funding required to an estimated R1.1bn.

According to JCI, the merged mining operations would have

60m troy ozs of recoverable gold reserves, giving a mine life of more than 60 years. The South Deep section was expected to be in full production in 2003 and the combined mine would mill 440,000 tonnes a month with an approximate gold content of 6.8 grams a tonne. Working costs were anticipated to be R206 a tonne milled, at July 1994 prices.

As previously announced, Western Areas would acquire South Deep by issuing 92 new ordinary for every 100 South Deep shares. JCI said yesterday

the South Deep development would be financed by a Western Areas rights issue to raise between R500m and R600m. This would take place soon after February 21 when shareholders vote on the merger proposals.

Present plans suggest the mine would have to raise more capital in 1999.

JCI said there would be substantial savings by Western and South Deep sharing infrastructure as well as services such as power, ventilation and compressed air.

NRMA prospectus was misleading, court rules

The prospectus for the A\$2bn-plus (US\$1.5bn) flotation of NRMA, the Australian motor insurer, was misleading, the full bench of the Federal Court ruled, writes Nikki Tait.

The ruling upholds an earlier decision by a Federal Court judge last October, which caused the insurer to freeze its plans to demutualise and then list on the stock market.

NRMA, which is owned by its members, had appealed against the October ruling in

an effort to get its flotation plan back on track. However, some disgruntled NRMA members - and two dissident directors - are deeply opposed to the demutualisation scheme, claiming that the NRMA will become more commercially-driven, and concentrate on achieving efficiencies on the insurance side at the expense of its motoring services.

The NRMA needs 75 per cent of members voting to be in favour before it can proceed with demutualisation.

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MANAGEMENT AND TECHNOLOGY CONSULTING AROUND THE GLOBE

Union Bank of Norway
U.S. \$27,000,000

Subordinated Floating Rate Notes due 2002

In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the three month period ending 28th April, 1995 has been fixed at 8.125% per annum. The interest accruing for such three month period will be U.S. \$9,802.60 per U.S. \$300,000 Note against presentation of Coupon Number 11.

Union Bank of Switzerland
London Branch Agent Bank
27th January, 1995



Wells Fargo & Company

US\$200,000,000
Floating rate subordinated
notes due 2000

The notes will bear interest at 6.125% per annum for the interest period 31 January 1995 to 28 February 1995. Interest payable on 28 April 1995 will amount to US\$47.64 per US\$10,000 and US\$238.20 per US\$50,000 note.

Agent: Morgan Guaranty
Trust Company
JPMorgan



TELEFÓNICA DE ESPAÑA, S.A.
1994 INTERIM DIVIDEND

The Board of Directors of Telefónica de España, S.A. at its meeting held on January 25th, 1995, adopted the following resolutions:

To distribute an interim dividend for the fiscal year 1994 to Telefónica shares that will be the following amount for each of the shares indicated below:

ISIN CODE	NUMBER OF SHARES	GROSS AMOUNT (PESETAS PER SHARE)	NET AMOUNT (PESETAS PER SHARE)
ES0178430015	1 to 939,470,820	27.00	20.25

It was also agreed that the payment of this dividend will be carried out on February 17th, 1995.

Madrid, January 26th 1995
THE BOARD OF DIRECTORS



Republic of Italy

ECU1,000,000,000
Floating rate notes due
2005

Notice is hereby given that the notes will bear interest at 6% per annum from 31 January 1995 to 28 April 1995. Interest payable on 28 April 1995 will amount to ECU72.50 per ECU5,000 note and ECU725.00 per ECU50,000 note and ECU1,450.00 per ECU100,000 note.

Agent: Morgan Guaranty
Trust Company
JPMorgan



The Kingdom of Belgium

US\$400,000,000
Floating rate notes due
1996

In accordance with the provisions of the notes, notice is hereby given that for the interest period from 31 January 1995 to 31 July 1995 the rate of interest on the notes will be 6.5625% per annum. The interest payable on the relevant payment date, 31 July 1995 will be US\$8,248.70 per US\$250,000 note.

Agent: Morgan Guaranty
Trust Company
JPMorgan

Citicorp Banking Corporation

(Incorporated in the State of Delaware)
Unconditionally guaranteed on a subordinated basis by

CITICORP

US\$250,000,000 GUARANTEED FLOATING RATE SUBORDINATED CAPITAL NOTES

Notice is hereby given that the Rate of Interest has been fixed at 6.4375% and that the interest payable on the relevant Interest Payment Date April 28, 1995 against Coupon No. 41 in respect of US\$10,000 nominal of the Notes will be US\$155.57.

January 31, 1995, London
By: Citicorp, N.A. (Issuer Services), Agent Bank

CITIBANK

October 1994

U.S. \$ 240,000,000

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MERGERS AND ACQUISITIONS

Initiated this transaction, assisted in the negotiations and acted as financial advisor to Exide Corporation

US \$200,000,000

Credit du Nord

Floating Rate Notes due 1997
For the period from January 31, 1995 to April 28, 1995 the Notes will carry an interest rate of 6.975 per annum with an interest amount of US\$164.06 per US\$200,000 Note. The relevant interest payment date will be April 28, 1995.

Agent Bank:

BANQUE PARIBAS

Paris, France

Samsung Electro-Mechanics Co., Ltd.

(Incorporated in the Republic of Korea with Limited Liability)
US\$ 40,000,000

4% per cent. Bonds due 1997 with Warrants to subscribe for Non-voting Shares of Samsung Electro-Mechanics Co., Ltd.

NOTICE OF THE SUBSCRIPTION PRICE ADJUSTMENT

We hereby give notice to the holders of the above described Bonds with Warrants that, in accordance with the terms and conditions of the Instrument dated 8th October, 1992, the Subscription Price was decreased from Korean Won 22,435 to 18,598 effective after 9th October, 1994. This adjustment is a result of the Rights Issue of the Company resolved at the meetings of the Board of Directors of the Company held on 17th October, 1994.

January 31, 1995
By: Citicorp, N.A., Principal Paying Agent

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INTERNATIONAL COMPANIES AND FINANCE

US Steel returns to black for year

By Tony Jackson in New York

US Steel, America's biggest integrated steel maker, reported net earnings of \$30m in the fourth quarter to the end of December, compared with a loss of \$37m before one-off gains the year before. The company, part of USX Corporation, said it had shipped 2.5m tons in the quarter, the highest since the second quarter of 1988.

For the year, US Steel had net income of \$201m, or \$2.35 a share, on sales of \$6.1bn. The previous year it made a loss of \$238m after exceptional

charges. Mr Charles Corry, USX chairman, said the company had benefited from strong demand and modest price improvement. "We expect average 1995 raw steel production to exceed 1994 levels," he said, noting that production in the fourth quarter had run at 104 per cent of rated capacity.

Current orders indicated continued strength in demand for flat-rolled products, he said. "With further price improvement effective with the start of this year in virtually all products, and the operating improvements we've achieved,

we believe the US Steel group is well positioned to continue its strong financial performance in 1995." USX-Marathon Group, the oil subsidiary of USX Corporation, made net earnings of \$321m in the year, helped by one-off gains of \$225m. In underlying terms, operating income for the year was up 3 per cent.

Marathon's exploration and production business made operating profits of \$210m for the year compared with \$80m. Mr Corry said: "The year 1993 clearly marked a low point for

[Marathon's] liquid hydrocarbon and natural gas production." Output of both had increased in 1994, and further rises were expected this year, he said.

Downstream operating income for the year was \$287m against \$407m for 1993. The fourth quarter was hit by lower margins on refined products. The gas company Delhi Group, also part of USX, made a net loss of \$31m for the year on sales flat at \$153m. This reflected a charge of \$27m for asset sales and lay-offs.

Newsprint group plans further price rise

By Bernard Simon in Toronto

Abitibi-Price, the world's biggest newsprint producer, has taken advantage of an acute shortage by notifying North American customers of another price increase. Abitibi said it planned to raise list prices and cut discounts by a total of US\$75 a tonne on May 1, bringing the average transaction price to about \$675. Other producers are expected to follow suit.

Newsprint was selling for \$420 a tonne at the beginning of 1994. But rising demand and supply disruptions have given producers an unexpectedly strong hand. Mills have yet to implement a \$50 a tonne increase set for March 1.

The shortage is especially severe on the west coast. A strike at Fletcher Challenge Canada has closed three pulp and paper mills in British Columbia for more than a month. Most other US and Canadian mills are operating at full capacity and their inventories have fallen sharply.

Customers are scrambling to find ways of conserving newsprint. "Nobody is even asking what the price is," one industry consultant said. "They're just saying: 'Ship it'."

The squeeze on supplies in North America has been exacerbated by strong overseas demand, especially in the UK and southeast Asia.

According to the Canadian Pulp and Paper Association, offshore newsprint exports climbed by 11 per cent in the first 11 months of last year. Strong domestic demand however, has led many mills to divert shipments to the North American market in recent months.

Tyson Foods improves 20% in first quarter

Tyson Foods, the world's largest producer of chickens, reported a 20 per cent rise in earnings per share to 36 cents in the first quarter of its 1995 financial year from 30 cents in the previous year, writes Maggie Urry in New York.

In the three months to December 31, net income was \$52.2m, compared with \$44.4m.

Sales rose 15 per cent to \$1.33bn. The group gained market share in all areas, Tyson said. Poultry sales volumes were 16 per cent higher. Arkansas-based Tyson said it had bought back 3.6m of its shares under a programme which would allow it to purchase a total of 15m shares.

The company last year attracted publicity over its links with President Clinton and his gifts of football tickets to Mr Mike Espy, US agriculture secretary.

NEWS DIGEST

Eaton earnings surge to record \$333m for year

Eaton Corporation, the US manufacturer of vehicle components and electrical equipment, enjoyed a record year due to acquisitions and "unprecedented" production of heavy trucks in North America, writes Tony Jackson.

Net earnings before special charges rose 61 per cent for the year to \$333m, on sales up 38 per cent to \$6.1bn, while earnings per share rose 44 per cent to \$4.40.

Sales of vehicle components were up 20 per cent. Mr William Butler, chairman, said that heavy truck sales in North America were 7 per cent above the previous record set in 1979, and 21 per cent higher than in 1993.

Eaton makes truck transmissions, axles and engine parts. Mr Butler said it had been "extremely difficult, and at times very costly, to keep up with the surging demand for our products". The company had also been helped by the continuing popularity of minivans and light pickup trucks in the US market.

The \$1.1bn acquisition of the DCBU electrical and controls business from Westinghouse of the US, effective a year ago, had contributed to earnings in the first year, Mr Butler said.

The balance sheet had already been restored to its pre-acquisition condition, with the debt to capital ratio back below 40 per cent. The company planned record capital spending for the current year, he added.

Santa Fe Pacific lines up finance for merger

Santa Fe Pacific, the US railway company whose plan for a friendly merger with Burlington Northern was upset when it received a hostile bid from Union Pacific, has tied up the finance for the \$3.85bn Burlington deal, writes Maggie Urry in New York.

A group of banks led by Morgan Guaranty Trust has committed \$1.5bn, conditional on the deal being approved by shareholders of both Santa Fe and Burlington.

Both companies are holding special shareholder meetings on February 7. The money will be used to buy back 38m Santa Fe shares for \$760m, to refinance \$400m of debt, to pay the expenses of the deal and for general purposes.

Union Pacific's bid is all in cash, valuing Santa Fe shares at \$18.50 each and the company at \$3.8bn.

Burlington's offer, although slightly higher, is two-thirds in shares, and some shareholders prefer cash.

The share buy-back is intended to sweeten the Burlington deal.

Pacific Dunlop shares hit seven-year low

Shares in Pacific Dunlop, the Australian-based conglomerate, closed at a seven-year low yesterday. The group said its electronics subsidiary, which makes pacemakers but last year reported serious problems from lead failures, had received two lawsuits in the US, writes Nikki Tait in Sydney. By the close of business, Pacific Dunlop shares were 4 cents lower, at A\$3.30. The Melbourne-based company's brief statement said the legal action had come from patients who received the leads in January 1995.

It added that the claimants were seeking to have the proceedings broadened into a class action, although this had yet to be approved by the US courts. The two patients are seeking unspecified damages.

In November, Pacific Dunlop announced it was withdrawing and monitoring three of its pacemaker leads (the device which connects the pulse generator to the heart tissue).

It said that its decision followed reports of lead failures. Although the numbers were small - seven failures reported out of an implanted population of 42,000 recipients since late-1987 - two of the six US patients reporting failures died.

Czech telecom sell-off documents released

The Czech government and J.P. Morgan released final transaction documents yesterday in the international tender for a stake in SPT Telecom, the Czech state telecoms group, and extended by a week the deadline for receipt of preliminary bids, writes Vincent Boland in Prague.

They also provided the 10 international telecoms groups vying for the 27 per cent stake with details of a new tariff policy governing future price rises in SPT's services.

This is expected to determine the amount bidders will offer for the stake, which could fetch up to \$1bn.

Deadline for preliminary bids is February 24, according to J.P. Morgan, adviser to the government and SPT in the tender.

Two new consortiums, one grouping Tele Danmark and SBC Communications of the US and the other PTT Telecom Netherlands, AT&T of the US and Swiss Telecom, are expected to be announced before the deadline.

Both the US and France Telecom have already announced an alliance, and Deutsche Telekom and Ameritech are also acting alone. Stet International of Italy is acting alone.

Ratings of two Australian banks raised

IBCA, the London-based credit rating agency, yesterday upgraded its ratings of Westpac and Australia and New Zealand Banking Group, two of Australia's "big four" banks, writes Nikki Tait.

The short-term rating of both institutions was raised from A1 to A1+, and the long-term rating from A+ to AA-

IBCA said that the revisions reflected the "strong improvement" in the banks' asset quality, due to better liquidity in the commercial property market, and "opportunities for problem loan resolution in a strongly growing local economy".

IBCA confirmed the ratings of National Australia Bank and Commonwealth Bank.

Oerlikon-Bührle sales ahead 28% at SFr3.8bn

Oerlikon-Bührle, the Swiss weapons, engineering and retail group, said sales jumped 28 per cent to SFr3.8bn (\$3.98bn) last year, mainly because of its DM100m (\$66.1m) acquisition last October of the Leybold vacuum technology business, writes Ian Rodger in Zurich.

The group said it expected net income to be at least equal to last year's SFr63m. Excluding Leybold, which was consolidated retroactively for the full year, sales were up 1 per cent in local currencies.

Under an agreement with US anti-trust authorities, elements of Leybold with annual sales of SFr160m remain to be sold.

Operating profits improved in all divisions, except Contraves and the Bally retailing division. Net debt at the year-end rose slightly to SFr1.2bn.

SFE to begin trading in NZ share options

The Sydney Futures Exchange is to begin trading share options in New Zealand-listed companies in Australia, writes Nikki Tait.

The arrangement follows approval from Australia's attorney-general, and marks a further step towards closer integration of the two countries' financial markets.

Strong growth for Hughes and EDS

By Tony Jackson

GM Hughes Electronics and EDS, two wholly owned subsidiaries of General Motors, reported strong growth in full-year earnings of 17 per cent and 14 per cent respectively. Hughes produced earnings of \$1.06bn, while EDS made \$822m on sales which topped \$10bn for the first time.

In the fourth quarter, Hughes increased its automotive sales by 9 per cent to \$1.4bn. The company said this was because of a 4 per cent rise in the electronic content it provided for GM vehicles in North America, from \$863 to \$900 a

vehicle, while GM's output of vehicles rose 3 per cent. International and non-GM sales rose 20 per cent to \$170m.

For the year as a whole, Hughes said higher electronic content a vehicle, higher vehicle output and aggressive cost reduction more than offset the impact of lower prices. Operating profit for the year rose 27 per cent to \$794m, with margins up to 15.2 per cent from 13.5 per cent.

In telecommunications and space, Hughes made quarterly operating profits of \$8m on sales of \$703m, as a result of the start-up costs of its DirecTV satellite television ser-

vice. Hughes said the service, whose nationwide introduction in the US was completed in October, had 350,000 subscribers by the year-end, making it "the most successful product introduction in consumer electronics history".

Operating profits in defence were down 17 per cent for the quarter at \$186m on sales 22 per cent lower. The decline was due chiefly to lower production on several missile programs.

EDS, GM's computer services company, said earnings for the final quarter rose 17 per cent to \$237m, or 49 cents a share. Sales in the quarter rose 26 per

cent to \$2.9bn, with sales to non-GM customers up 33 per cent. For the full year, non-GM sales grew to more than 64 per cent of the total.

New contracts awarded in the year totalled more than \$8bn, including a \$3.2bn deal with Xerox to supply most of its information technology globally. EDS chairman Mr Les Alberthal said he expected "continued strong performance" this year.

General Motors Acceptance Corporation, GM's financial services subsidiary, reported net earnings of \$802m for the year, a rise of 1 per cent.

Dow Chemical unit's shares up on sale talk

By Tony Jackson

Shares in Marion Merrell Dow, Dow Chemical's pharmaceutical subsidiary, rose 5 per cent to \$25 by midday yesterday amid press reports that it may be sold to Hoechst of Germany. Neither company would comment yesterday.

The share price rise values the whole of Marion Merrell Dow, which is 25 per cent publicly owned and 75 per cent owned by Dow, at \$6.8bn.

Dow Chemical said in August it had retained financial advisers to look at "possible strategic transactions" involving Marion Merrell Dow. While stressing that no action might result, Dow said it would be "remiss not to consider alternatives in the best interests of our shareholders".

In October, Hoechst said it was talking to several US drugs companies, but gave no further detail. The company's earlier foray into the US pharmaceutical market - the 1993 purchase of a majority stake in Copley Pharmaceutical - has so far proved unsuccessful.

Marion Merrell Dow was formed in 1989 as a merger between Marion Laboratories and Merrell Dow. Dow Chemicals' wholly owned drug business. In 1993 it went on to acquire Rugby, a generic drug manufacturer, and last year it bought Kodama of Japan. The company's main products are cardiovascular, gastro-intestinal and respiratory treatments.

Marsh & McLennan gains 12%

By Richard Waters in New York

Marsh & McLennan, the US insurance broking group, reported a 12 per cent advance in after-tax profits for 1994, led by growth in its investment management and consulting businesses.

The figures reflected a stronger than expected advance in revenues in the final three months of the year, helping to lift the group's shares by \$1 in

morning trading yesterday, to \$78.

The continuing weakness in the property/casualty insurance industry led to restrained growth in Marsh & McLennan's insurance services business during 1994. Revenues were up 5 per cent from 1993 at nearly \$1.9bn.

Meanwhile, revenues from the group's investment management subsidiary rose 18 per cent, to \$615m, while revenues from consulting climbed 7 per

cent, to \$933m. Marsh & McLennan owns the Putnam investment management company and Mercer, a benefits consulting firm.

Net income for 1994 jumped to \$371m, or \$6.05 a share, from \$332m, or \$4.52, in 1993.

Growth in the final quarter outpaced the rest of the year, at 10 per cent overall, leading to better-than-expected results for the period. Net income rose 15 per cent from a year before, to \$72.2m, or 96 cents a share.

Tembec posts C\$20.5m net profit

By Robert Gibbons in Montreal

Tembec, a Canadian producer of specialty pulp, newsprint, cardboard and timber, posted net profit of C\$20.5m (US\$14.5m), or 53 cents a share, in the first quarter ended December 31, against a loss of C\$2.6m, or 9 cents, a year earlier, with product prices rising strongly.

Sales rose almost 50 per cent

to C\$152m. Tembec expects to reap the benefits of more price increases through 1995 and sees record results.

Mr Frank Dottori, president, said softwood kraft pulp prices should reach about US\$875 a tonne later this year, up from US\$750 now, but would still be short of the inflation-adjusted high of US\$950 set in 1989.

Tembec owns 50 per cent of the Tartas pulp mill in

southern France, and this will be very profitable this year, he said.

The 41 per cent-owned newsprint unit SpruceFalls in Ontario had first-quarter net profit of C\$6.6m, or 20 cents a share, almost double that of a year earlier. SpruceFalls is bringing back its fourth machine to bring capacity to more than 300,000 tonnes a year.

Recovery continues at Avenor

By Robert Gibbons

Avenor, the Canadian pulp and paper group, continued its recovery in the final quarter of 1994, with rising pulp prices, strong newsprint markets and a favourable exchange rate. The company had a small operating net profit, but after C\$12.1m special charges, it

posted a final loss of C\$9.7m (US\$6.35m), or 14 cents a share, against a loss of C\$160.5m, or C\$2.65, after special charges a year earlier. Sales were C\$520m, up 34.5 per cent.

The full-year loss was C\$71m, or C\$1.07, against a loss of C\$285.6m, or C\$4.88, after special charges in 1993. At the operating level

Avenor achieved a turnaround of about C\$220m. Sales were C\$1.9bn against C\$1.5bn.

Operating earnings improved from quarter to quarter in 1994, said Mr Paul Gagne, president. "Avenor's restructuring and consolidation are complete and we have laid the foundation for solid profitability in 1995."

New version of Apple MessagePad

By Louise Kahoe in San Francisco

Apple Computer has launched a new version of its Newton MessagePad hand-held "personal digital assistant" and realigned its marketing to focus on business users.

The Newton - launched with great fanfare by Mr John Sculley, former Apple chairman, in 1993 - has been an embarrassing flop. Apple is attempting to address some of the criticisms that the original product attracted.

In particular, the new Newton MessagePad 120 has improved handwriting recognition, up to three times as much memory and improved screen clarity, Apple said.

A 1-megabyte version will sell in the US for \$599, and a 2-megabyte version at \$699.

With an add-on modem or cellular telephone, the MessagePad will be capable of transmitting and receiving messages via various networks.

However, analysts said that the new Newton still fell short of Apple's extravagant promises for a device that can "read" handwritten notes and communicate easily with all types of computers. The price is too high for mass market appeal, they said.

Apple is, however, now focusing its Newton marketing efforts on companies with large numbers of "mobile" employees, in particular hospitals, financial services companies, schools and sales forces. To date Apple has sold about 250,000 Newton MessagePads, according to Link Resources, a US market research firm.

Quelle set for high-tech eastern expansion

Europe's largest mail order group has its sights trained on eastern Germany. Quelle is poised to transform its business through a DM1bn (\$666m) investment in a Leipzig warehouse project which is due to come on stream in February.

The warehouse, equipped with the latest technology, is one of the biggest investments Quelle has made since the Nuremberg-based company was re-established after the second world war.

Then, the main aim of Mrs Greta Schickel, the founder of Quelle who died last year, was to provide cheap but high quality goods for Germans as they rebuilt their war-torn economy after 1945.

The group, which has expanded rapidly in the past four decades, soon captured a niche throughout Germany and western Europe. It diversified into photographic and optical goods.

As it grew, pressure on capacity at its Nuremberg headquarters increased. It became more difficult to expand and build new warehouses to meet the demand for planning regulations, the influence of green/environmental politics and the high cost of land.

The collapse of the Berlin Wall in November 1989 opened up opportunities for the retail sector, and especially for Quelle, which last year recorded profits of DM165m on a turnover of DM15bn.

Mrs Schickel's wasted time in taking advantage of German reunification. Quelle acquired a 75-hectare site just outside Leipzig, in the eastern German state of Saxony.

Mr Erwin Schmidlein, direc-

tor of Quelle's vast Leipzig warehousing complex, said that in February 1991 the group acquired 100 per cent ownership of the land, which after reunification in 1990 had been placed under the Treuhand privatisation agency. The company then began its investment programme of more than DM1bn to build one of Europe's most modern warehouses.

The attraction was increased by the generous grants offered by the state of Saxony. "We received grants worth about 23 per cent of our investment from the state and the federal government," said Mr Schmidlein.

In addition, companies have been allowed special depreciation benefits, amounting to 50 per cent of the value.

Quelle decided to install the latest technology. The 32-metre high storage steel shelves are fully automated and an underground network of passages allows goods to be transported rapidly throughout the complex.

"We need about 100 people in Nuremberg just to store the goods on the shelves. In Leipzig, this work is entirely automated," said Mr Schmidlein.

In spite of the high degree of automation, Quelle believes it will be employing 3,000 people, including sub-contractors and ancillary services, by 1996 - which would make it one of the largest single employers in eastern Germany.

How can Quelle exploit the extra capacity and automation under one roof, which hinders efficiency?

Leipzig will gradually take over this part of the mail order business. By the end of the 1996, Mr Schmidlein reckons Leipzig will be handling about 35m items a year, while Nuremberg will be reduced to about 2m.

Quelle deals with about 35m items a year, or about 160,000-180,000 items a day. The storage facilities in Leipzig will have a capacity of 2m items, and the production/packaging lines have been designed to accommodate three shifts, capable of moving 160,000 items a day.

The Leipzig facilities will be centralised and automated. Mr Schmidlein hopes goods can be turned around in 24 hours. Instead of the current 48 hours, or longer, at Nuremberg.

However, because of the squeeze brought about by a fall in consumer spending, Quelle will have to offer cheaper, but good quality items to cope with declining turnover. "Consumers are faced with higher

taxes," explained Mr Steffen Kern of the association of German retailers.

"Retailing will fall by a further 1 per cent in west and east Germany this year, and by about 1.5 per cent and 2 per cent respectively for next year," he added.

Mr Cy Schuler, head of C&I analysis, which specialises in retailing, is pessimistic about any upswing in this sector. "I am sceptical that consumption will show recovery even in 1996," he said. "With these pressures, Quelle could well use the Leipzig operation to streamline its activities in Nuremberg," he added.

Eastern Europe can play an increasingly important role in Quelle's quest for good value for money.

For example, the group is involved in trials with a rebracket enterprise in the Ukraine as a means of keeping costs down. "It also means that if the Ukraine experiment is successful, that enterprise will become competitive in its own right," explained Mr Helge-Johann Hehner, a Quelle official in Leipzig.

The Leipzig warehouse also means Quelle is well placed to take advantage of eastern Europe once consumer spending in the region increases.

"It has a warehouse in the Czech Republic which it set up in the autumn of 1991, and the same

year in Poznan, Poland. The Czech subsidiary, which employs 380 people, is processing 12,000 orders a day and distributing 400,000 mail order catalogues throughout the Czech Republic. At the same time, Quelle will have established 250 retail outlets there, including Foto Quelle, the photography processing division and Apollo-optik, its opticians division.

Eastern Europe accounts for DM100m of Quelle's total turnover. "It is small, but we are establishing a foothold there. This is a market we cannot ignore," said Mr Schmidlein.

Quelle hopes to use the fledgling pay-TV network as a means of promoting its catalogues and tapping into sales. But Germany's restricted media laws, and this still largely underdeveloped sector, hinder such plans. Besides, Quelle believes consumers might be reluctant to pay a monthly transmission fee. Nevertheless, Quelle intends to carry out trials in the Nuremberg, Stuttgart and Leipzig region next year to test consumer response.

Mr Schmidlein is cautious. "I don't know if this system makes sense. Mail ordering through pay-TV will come eventually. But not yet," he said.

In the meantime, Quelle, assuming it can keep its costs DM1bn in about eight years. However, there is a lingering regret that Mr Klaus Mangold, the former chairman of Quelle, a central figure in setting up the project, who resigned last year, will not see the Leipzig plant come on stream.

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JPMorgan

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Numbered days: 87 days
Interest Rate: 0.0125% per annum
Coupon Amount of each Note: U.S. \$1,575.02
The Daiwa Bank, Limited
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U.S. \$150,000,000
Guaranteed Floating Rate Notes 1997
In accordance with the provisions of the Notes, notice is hereby given that for the three month period 31st January, 1995 to but excluding 28th April, 1995 the Notes will carry an interest rate of 5.5625% per annum. Coupon will be U.S. \$159.59 on the Notes of U.S. \$100,000.
SAKURA TRUST INTERNATIONAL LIMITED
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31st January, 1995

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COMPANY NEWS: UK

Quality of Northern Electric's non-core activities questioned

Trafalgar attacks target's costs

By Peggy Hollinger

Trafalgar House yesterday tried to cast doubt on the independent future of Northern Electric, target of its hostile £1.2bn bid, by attacking the quality of the utility's rapidly growing non-core businesses. In a document sent to Northern shareholders, Trafalgar claimed the company's efforts at diversification had been disappointing.

It questioned both the profitability of Northern's retail operation and prospects for the competitive electricity supply business serving commercial and industrial energy users.

Trafalgar also queried whether the supply profits,

which rose from £2.6m to £12.8m in the first half, would prove sustainable in a competitive low margin business. It also attacked Northern's track record on costs and questioned how the company would cope when a free market was established throughout the electricity industry in 1998.

It urged Northern shareholders to accept its offer, which includes a £10.48 cash alternative - substantially higher than the level at which other regional electricity companies' shares were trading, it said.

"Your company is worth more to Trafalgar House than it is to ordinary shareholders," said Mr Simon Keswick, Trafalgar chairman. "It is this which

enables us to offer you a premium for your shares."

Analysts said the document raised important issues for Northern investors. "It is difficult to argue that Trafalgar House is undervaluing the shares when the rest of the sector is trading at between £2 and £3 less than the offer price," said one. "Investors can sell into the offer and still take advantage of the opportunity to buy into other assets."

Trafalgar is "attempting to buy Northern Electric cheaply before the flotation of the National Grid".

It also pointed out that the value of Trafalgar's cash and paper offer has fallen from

£10.71p to £10.38p a share. Trafalgar's convertible preference shares have fallen to 51.5p, against the 53p at which they were underwritten for the full cash alternative.

Investors are unlikely to back either side until the government decides whether the bid should be referred to the Monopolies and Mergers Commission. While there are no issues of competition, most observers expect the government to seek a referral.

In the document, Trafalgar estimates that it would write up the value of Northern's tangible fixed assets by £340m and the value of its shareholding in the National Grid by £172m. See Lex

Rise in spending lifts BAA to £328m

By Michael Skapinker, Aerospace Correspondent

A growing number of passengers spending more in airport shops helped lift nine months' pre-tax profit at BAA, the airports group, by 12.3 per cent to £328m (£512m).

Revenues for the nine months to December 31 rose 6.1 per cent to £926m. The most striking rise came on the retail side, where revenues rose 9.6 per cent to £402m. BAA's airports include Heathrow, Gatwick, Glasgow and Edinburgh.

Revenue from airport charges was £336m, an increase of 6.8 per cent. Passenger numbers rose 7.4 per cent to 69.3m. BAA said it expected passenger growth for the year as a whole to be about 7 per cent.

Sir John Egan, chief executive, said the group's airports had benefited from strong traffic growth as the worldwide economy recovered. He said he expected the growth to continue into 1995.

Property revenue rose by £8m to £119m. BAA announced earlier this month that it was freezing rents in its airport terminals at 1993 levels. Rents will not be increased until March next year.

The freeze will not affect the retail or restaurant side of the business. The tenants concerned are airlines, handling agents, customs and immigration, the police and cargo companies. Capital expenditure in the first nine months rose to £307m (£175m), reflecting the current improvement programme.

LEX COMMENT

Storms ahead for BAA

Apart from a blip during the Gulf war, BAA's financial flight-path has been astonishingly true. Yesterday's third quarter results told a familiar story of cost cutting, inexorable passenger growth and rising retail spending.

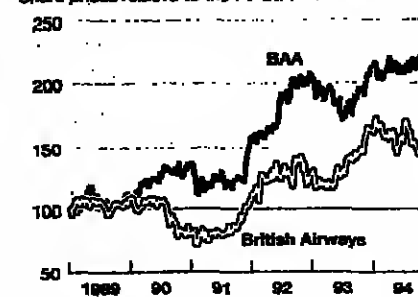
There are, nevertheless, storm clouds on the horizon. Most immediately, the group admits the Channel tunnel, once fully operational, will knock up to 3 percentage points off passenger growth. Retail spending growth must also slow. In 1995, intra-European Union duty free sales are scheduled to end. True, their abolition is not guaranteed: Sir Alastair Morton, Eurotunnel's co-chairman, whose cross-channel operations were planned on the presumption that duty-free would end in 1993, is one of the few who wants them ended; the ferries, airlines and distillers are against the measure. So too are consumers.

Nevertheless, the risk remains BAA could lose up to £30m in earnings, despite compensatory spending on other goods. Moreover, although the ability to squeeze ever-greater amounts out of passengers shows few signs of abating, it must reach a ceiling sometime.

BAA has always been up-front about the challenges facing its airports. Investors

Betting on civil aviation

Share prices relative to the FT-SE-A All-Share Index



Source: FT Graphs

already know about the Channel tunnel, the cost of Heathrow terminal five and the potential rights issues necessary for overseas expansion. BAA remains a safe play on civil aviation growth. The only real problem is the company's price/earnings ratio which at a 25 per cent premium to the market makes it, as ever, look expensive.

Allied Domecq holds talks to sell bakeries

Allied Domecq is in talks with a view to disposing of its European bakeries to a syndicate of investors led by CVC Capital Partners.

The business - part of Lyons, Allied's food manufacturing sector - produces a variety of biscuit and bread substitute products, operating mainly in the Netherlands, Belgium, France and Germany. It has an annual turnover of about £250m (£234m).

The proposed disposal follows several others within Lyons and Allied Breweries Nederland last week, as part of Allied's strategy of focusing on its spirits and wine and retailing operations.

Talks, if successful, will lead to the formation of a new company in which both the syndicate and existing management will participate.

Haynes flat at £2m despite strong US performance

By James Whittington

Shares in Haynes Publishing yesterday fell 20p to 330p after the car and motorcycle manual producer reported difficult trading conditions in the UK which offset gains in the US.

Pre-tax profits inched ahead to £2.15m (£3.35m) against £2.11m for the six months to November 30, including £200,000 from the sale of a warehouse in Leeds, West Yorkshire. Sales fell by 6 per cent from £12.4m to £11.8m.

Mr Max Pearce, chief executive, said the UK operations had "a lousy first quarter as a result of flat retail sales across the board". Despite an improvement in pre-Christmas sales, this left operating profits in the UK and Europe 36 per cent lower at £711,000 (£1.11m).

Turnover dropped to £4.86m (£5.47m), partly because of the closure of a printing plant in December 1993.

In contrast, operating profits in the US rose 18 per cent to £1.9m (£1.61m) on improved sales of £6.77m (£5.94m). Mr Pearce said the print facility in Nashville, opened in late 1993, and new manuals had helped Haynes become one of the market leaders.

He warned, however, that the first-half setback in the UK would not be made up during the rest of the year, and said rising paper prices remained the biggest challenge to the group. As a result, an analyst shaved his profit forecast from 55.6m to 55.2m for the full year.

At the end of December, Haynes moved from a full Stock Exchange listing to the

USM. Mr Pearce said Mr John Haynes, chairman, had wanted to transfer part of his 94 per cent holding to a trust for his sons without incurring capital gains and inheritance tax. Some fund managers restricted from investing in USM companies were unhappy with the move because it forced them to sell. Beeson Gregory, the group's broker, said the move would have little effect since trading volumes had traditionally been low.

Haynes had £2.6m net cash at the end of November, a turnaround from 47 per cent gearing at the end of 1991. Mr Pearce said the company would be more likely to invest in product and market development than in acquisitions.

Earnings were 8.2p (8.1p) and the dividend is held at 4p.

Bridon to close UK plant and invest £6m in new equipment

By Tim Burt

Bridon, the wire and wire rope manufacturer, yesterday announced the closure of one of its main UK plants and a £6m (£3.36m) investment in new equipment as part of a wide-ranging restructuring programme.

The group, which last year made a £2.4m provision to cover the reorganisation, said it would be closing its Ambergate factory in Derbyshire in mid-1995, with the loss of 120 jobs, and moving production to Cleckheaton, West Yorkshire.

Mr Ron Petersen, chief executive, said the redundancies

would be offset by the creation of 60 jobs following the installation of new "wire drawing" machines at two other UK plants and one in the US.

"Our plant rationalisation and disposal programme is ahead of schedule," he said. "It will coincide with other manufacturing and marketing initiatives, designed to increase significantly Bridon's capacity to supply its key wire markets."

Although this process could lead to further redundancies, the group said further provisions were unlikely this year. While the Ambergate closure

has been covered by last year's restructuring provision, the investment in new equipment has been offset by funds from the disposal programme.

Since April last year, Bridon has raised more than £18m from disposals, including £15m from the disposal of its engineering companies and £4.3m from the sale of its disused Wakefield plant to Kingfisher, the retail group.

"We're about 20 per cent through the restructuring," Mr Petersen added. "Now it's time to do something this company has not done for 10 years. It's time to grow."

Welsh gold mine joins matched bargain market

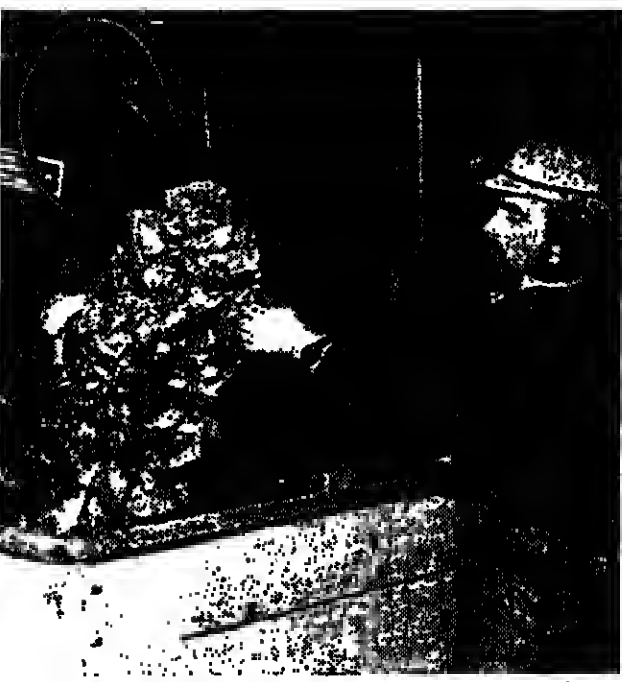
By Kenneth Gooding, Mining Correspondent

A small advertisement in the Financial Times mentioning that a gold mine in Wales was for sale resulted in Mr Roland Phelps, 41, acquiring the Gwynfynydd mine near Dolgellau in the Snowdonia National Park.

He guessed it was the Gwynfynydd mine because, while at Leeds University studying for a combined mining/geology degree, his thesis was about the Welsh gold mines. "It was the only mine with decent reserves," he says.

Mr Phelps spent £1.25m on buying the mine and improving it and its associated jewellery and tourism operations. This week he is bringing Welsh Gold to London's 42 market which allows deals on a matched bargain basis - via a public offer and placing on terms that value the company at £5.6m (£5.73m).

Sponsored by Brook Corporate Finance of Birmingham, the fully underwritten issue is raising £1.5m gross and £1.3m after expenses. Mr Phelps, who made "a small stake" mining in Canada then built up a fairly proper, construction and leisure company in London, will swap £1m of his investment for 73.4 per cent of Welsh Gold and receive £250,000 cash. Gwynfynydd is claimed to be Britain's only working gold



Ore from Britain's only working mine on its way to processing

mine. Such is the demand for Welsh gold that the company can change three times the London Bullion Market price. This premium carries through to the jewellery Welsh Gold manufactures and sells at its shop. Mr Phelps has also built up a tourist attraction at the mine.

Proceeds of the offer will be used to increase the mine's

capacity and enlarge the jewellery operations. The pathfinder prospectus suggests the mine might produce 2,450 troy ounces of gold a year after expansion compared with its present 800 ounces. But there is no profit forecast.

JP Jenkins has agreed to make a market in Welsh Gold shares. See Observer

BAA plc results for the nine months ended 31 December 1994 (unaudited)

	9 months to 31 December 1994	9 months to 31 December 1993	change %
Passengers	69.3m	64.5m	+7.4
Revenue	£926m	£873m	+6.1
Pre-tax profit	£328m	£292m	+12.3
Earnings per share (after one for one capitalisation issue)	23.9p	21.1p	+13.3

Airport operator BAA plc has announced pre-tax profit for the nine months to 31 December of £328m, up 12.3%, with revenue of £926m, up 6.1%. The financial performance reflects the strong growth in passenger numbers together with increased income from retailing and property at the airports. The Company has continued to keep tight control of its operating costs and productivity measured in terms of passengers per employee improved by 5.9%.

Passenger numbers increased by 7.4% and revenue from airport charges was £336m (1993: £314m), a rise of 6.8%. The Company is forecasting passenger growth of around 7% for the year as a whole.

Retail revenue rose to £402m (1993: £366m), up 9.8%, despite continuing building work taking place in airport terminals. Much of the redevelopment is due to be completed by Autumn 1995.

Airport property income rose by £8m to £119m reflecting the

PROFIT AND LOSS ACCOUNT FOR THE NINE MONTHS ENDED 31 DECEMBER 1994

31 March 1994	31 December 1994	31 December 1993
£m	£m	£m
1,098	Revenue	926
(730)	Operating costs	(569)
368	Operating profit from continuing operations	357
(46)	Interest	(29)
322	Profit before taxation	328
(82)	Taxation (see note 4)	(85)
240	Profit after taxation	243
23.5p	Earnings per share (pence) (see note 5)	23.9p

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

240	Profit after taxation	243
340	Unrealised revaluation surplus	10
580	Total gains and losses relating to the period	253

NOTES ON THE PROFIT AND LOSS ACCOUNT

1. This statement has been prepared in accordance with the accounting policies used in the statutory financial statements for the year ended 31 March 1994.
2. The figures for the year ended 31 March 1994 are extracts from the published accounts. A copy of the full accounts for that year, on which the Auditors have issued an unqualified report, has been delivered to the Registrar of Companies.
3. The interest charge is shown net of interest capitalised of £34.7m (31 December 1993: £21.7m; 31 March 1994: £30.4m).
4. The taxation charge for the nine months ended 31 December 1994 has been based on the estimated effective rate for the full year.
5. Earnings per share comparative have been adjusted for the one for one capitalisation issue approved by shareholders at the Company's Annual General Meeting on 14 July 1994.

Our registered office: Barclays Register, Bourne House, 34 Bechenham Road, Beckenham, Kent BR3 4TU. Telephone: 081 650 4466.

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 1994

31 March 1994	31 December 1994	31 December 1993
£m	£m	£m
3,604	Fixed assets	3,865
(238)	Net current liabilities	(291)
3,366	Total assets less current liabilities	3,574
(823)	Creditors: amounts due after one year	(816)
2,543	Share capital and reserves	2,758
£2.49	Net asset value per share (see note 4)	£2.71

NOTES ON THE BALANCE SHEET

1. The Group's investment properties included within fixed assets are shown at 31 March 1994 valuations adjusted for material changes in circumstances and further expenditure since that date.
2. Airport fixed assets include £18.3m representing expenditure to date on Terminal 5 (31 December 1993: £65.4m; 31 March 1994: £76.2m).
3. Liabilities include borrowings of £625.3m (31 December 1993: £77.3m; 31 March 1994: £814.3m). Both comparatives have been restated in accordance with FRS 4, Capital Instruments.
4. Net asset value per share comparative have been adjusted for the one for one capitalisation issue approved by shareholders at the Company's Annual General Meeting on 14 July 1994.

CONSOLIDATED CASH FLOW STATEMENT FOR THE NINE MONTHS ENDED 31 DECEMBER 1994

31 March 1994	31 December 1994	31 December 1993
£m	£m	£m
474	Operating activities	354
(161)	Returns on investments and servicing of finance	(103)
(70)	Tax paid	(27)
(236)	Investing activities	(295)
7	Net cash (outflow)/inflow before financing	(71)
22	Financing	(12)
(15)	(Decrease)/increase in cash and cash equivalents	(59)
7		(71)

BAA

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Application has been made to the Council of the London Stock Exchange for admission to the Official List of the whole of the ordinary share capital of Wessex Trust to be issued.

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31 January, 1995

COMPANY NEWS: UK

Cargo Clubs fail to deliver the goods

When Mr David Poole resigned in October as chief executive of Nurdin & Peacock, the cash and carry operator, the company was quick to stress that his departure would not affect the ambitious strategy he had put in place.

Four months later, observers are questioning whether the group, still without a chief executive, can really maintain that course. Moreover, N&P is now being talked about as a possible takeover candidate.

Worries about N&P were aggravated by the £16.2m (£25.3m) exceptional charge to 1994 profits it announced nearly two weeks ago. The charge was more than £4m higher than indicated at the time of the interim results and exposed just how many problems Mr Poole's initiatives were creating.

Profits for the year are now expected to be between £18m and £19m, against £32.1m last year. The shares have fallen from a high of 234p last year to 141p yesterday.

No one denies that the management needed to introduce changes. Cash and carry stores sell food items in bulk and at large discounts to independent

Geoff Dyer looks at the ambitious strategy which has led to problems for Nurdin & Peacock

retailers, such as corner shop grocers. But these customers have been whiplashed by the expansion of Sainsbury's and discount stores. N&P's like-for-like sales fell by 7 per cent in 1993 and 1 per cent in 1994.

Mr Poole said in 1993 that traditional cash and carry business had "no future".

N&P's strategy was to broaden its customer base. Its stores were converted into Trade and Business Warehouses supplying stationary as well as food products. The group expanded in northern England with the £21.9m acquisition in May of M6, a cash and carry chain with 10 outlets.

Most ambitious of all, last year it opened three Cargo Club warehouse outlets, US-style shopping clubs. According to Mr Hill Currie, analyst at Barclays de Zoete Wedd: "Any one of these initiatives would have been a huge strain on management."

The diversification into new products exposed the group's lack of experience in non-food merchandise and the strain on working capital turned £2.7m of interest income in 1993 into a charge of £1.6m in 1994.

However, Cargo Club has caused the biggest problem. In the US, where it was introduced in the 1970s, the concept has been a great success. It offers large discounts to fee-paying members on items such as food, clothes and electrical goods at huge out-of-town warehouses. By 1993 they had 21m members in the US and accounted for an annual \$360m (£22.4bn) in sales.

N&P opened its first store in Croydon, south London, in March with a fanfare of publicity and a prediction that the company would have 30 warehouses by the end of the century. But the three opened so far incurred operating losses of between £3 and £4m in 1994 and ran up marketing costs of £3m. In the words of one analyst, "they have been an unmitigated disaster."

Critics say that N&P's approach of trying to attract retail customers, spending heavily on marketing and stocking a wide range of prod-



David Poole: changes aimed at broadening the customer base

ucts ignores the US experience that warehouses survive on minimal costs and by selling a small range of items in bulk.

Mr Paul Morris, analyst at Goldman Sachs, said: "The warehouses in the US that have fallen have been the ones that went for retail customers."

According to Mr Nigel Hall, finance director at N&P: "There is not a cash and carry industry of any size in the US so we have to differentiate. People in this country like to see a wide range of options."

The sale of Cargo Club is now widely rumoured. The most likely buyer would be Costco Europe, which is 60 per cent owned by PriceCostco, the largest US warehouse operator which opened the first UK warehouse in Thurrock, Essex in 1993. Other large US operators such as Wal-Mart could see it as an opportunity to get a foothold in the UK market.

Mr Hall said that "it is not the case yet" that N&P would need to sell the Cargo Clubs, which currently have 115,000 members, because of the losses they were making. He added that N&P had been "in conversations with various parties" about providing finance for expanding them.

The falling share price means that N&P now has a market capitalisation of £179.5m, against net assets of £145.5m at the half year end on July 1, encouraging talk of a possible takeover.

All previous speculation was academic because 28.9 per cent of the shares are controlled by the Peacock family. However, some brokers now believe that Mr Michael Peacock, who was chairman until 1991 and is now honorary president, would be prepared to sell if the right offer came along. Mr Peacock dismisses this as rumour: "I hope N&P will go on as an independent company."

The obvious candidate would be SHV, the Dutch private company which owns Makro, the wholesale store chain, and which has a 14 per cent stake in N&P. SHV has never declared aggressive intentions, but market observers believe that if it did want to make a move, now would be the time.

SHV said the N&P stake was "a financial investment" and that "we have our hands full with Makro at the moment".

Kleinwort denies sale but keeps its options open

By Nicholas Denton

Kleinwort Benson is keeping open the possibility of an alliance, despite denying last week that it was in discussions with Dresdner Bank or any other potential buyer.

An internal memorandum sent last Friday by Lord Rockley, the chairman, to directors of Kleinwort, makes clear that the house is keeping open its options.

"In the belief that we are perceived to be an increasingly successful and growing business, I do not find it surprising that we are the object of some attention," Lord Rockley writes. "If this results in overtures being made, we shall be able to deal with them from a position of strength."

Lord Rockley, confirming the existence of the memo yesterday, said it would be irresponsible to rule out any option. "We would look at anything on its merits," he said.

In the statement to the Stock Exchange, which went out on the same day as Lord Rockley's internal communication, Kleinwort made no reference to its attitude to a bid. The memo expands on Kleinwort's position.

But it gives no hint that Kleinwort is actively looking for a partner or buyer. "We are pursuing our three-year plan for Kleinwort Benson operating as an independent entity," directors were told, in a reference to the budget plans drawn up last autumn for 1995-97.

The statement to the Stock Exchange appears to have calmed last month's speculation about a bid for Kleinwort. The shares, which hit 653p at one point last Friday, closed yesterday at 609p.

Many analysts have become stronger in their belief that a deal is unlikely. Mr David Poutney, merchant bank analyst at stockbrokers Collins Stewart, said: "The rumour about Kleinwort Benson are 100 per cent misplaced."

Kleinwort reports its 1994 results later this month and analysts expect it to show pre-tax profits of £28m-£30m, down on the £11m recorded in 1993, but still more resilient than other UK investment banks such as S.G. Warburg.

Filtronic Comtek plans expansion

By Geoff Dyer

Shares in Filtronic Comtek, the manufacturer of components for the cellular mobile telecommunications industry, rose 20p to 189p yesterday after it reported trebled interim profits.

Professor David Rhodes, executive chairman, said the rapid growth of the cellular market was responsible for the increase in pre-tax profits from £438,000 to £1.5m (£2.34m) in the six months to November 30, on sales ahead from £3.3m to £12.1m.

Between £6m and £7m is being spent from cash resources in the next 12 months on new manufacturing facilities in Shipley, Yorkshire, and in Salisbury, Maryland, and on expanding existing facilities in Scotland and New Hampshire.

New customers for Filtronic's devices for mobile telephone base stations include

Matra and Hughes Network Systems.

Prof Rhodes expects market demand to increase for the next five years. "The key challenge for us is recruitment and our ability to find the right calibre of people here and in the US," he said.

The results were in line with expectations at the time of Filtronic's October flotation. Panmure Gordon, the house broker, forecasts full-year profits of £3.2m with £5.75m for 1995-96.

Prof Rhodes, the Leeds University academic who formed the original Filtronic company in 1977, denied that it had been undervalued at flotation when the shares were priced at 105p. A number of new issues were postponed at the time because of market conditions.

Earnings per share jumped to 3.23p (1.17p). The company intends paying its maiden dividend with the final results.

German setback for Caldwell

Foreign exchange losses, property provisions and a 13 per cent decline in sales in its main German market led to a sharp downturn in profits at Caldwell Investments, the USM-traded textiles group.

Pre-tax profits for the year to October 31 fell from £487,900 to £178,000 (£278,000). Turnover rose from £6.78m to £8.03m.

The pre-tax figure was struck after a £100,000 exceptional charge this time.

The company, which sources manufacturing in low-cost countries, is to apply for a full listing and change its year-end to December.

First sales of Romanian made shirts to the US began in the last quarter and a large increase in this business is projected for the current year. Earnings per share fell to 1.36p (4.06p). The final dividend is held at 0.615p, giving a same-again total of 1p.

RSH seeks funds for purchases

As the first move in a planned series of acquisitions in the UK and US, Richbell Strategic Holdings, the information processing and media group, has started dealing under Stock Exchange Rule 4.2, dealing on a matched bargain basis.

The company has £3.5m shares in issue, giving a market capitalisation of £50m (£78m) at the expected opening price of 60p per share.

RSH has as its principal investment a 33.5 per cent stake in H-G Holdings, a US group which provides employee expense management services.

Inchcape

Inchcape, the international services and marketing group, is to be the exclusive distributor for Timberland, the US footwear and clothing manufacturer, throughout the Asia Pacific region.

AS part of the agreement Inchcape is acquiring Timberland's Australian and New Zealand businesses for a total of £24m. It also been appointed distributor for Japan and China.

Under a new 10-year agreement, Inchcape will continue as Timberland's distributor in other Asian markets.

Spring Ram buy

Spring Ram, the kitchen, bathroom and furniture group, has acquired Les Ateliers de la Motte, a privately owned com-

pany trading in France, for £1.1m (£1.71). Les Ateliers, which makes a range of screens and shower enclosures, made pre-tax profits of £120,000 in 1994 on turnover of £5.7m.

Spring Ram made a number of expansion moves last year including the acquisition in September of Pland, the stainless steel sink manufacturer, for £4.6m.

Filofax buy

Filofax Group has acquired its Danish competitor, Mercato Kalenderforlag for DKK5m. Mercato, which operates exclusively within Denmark, supplies organisers, diaries and other dated products.

Zetters

Zetters, the football pools company with about 2 per cent of

the market, yesterday warned that the National Lottery had cut its revenues by 10 per cent so far in its second half.

Shares in the group fell 3p to 125p.

Littlewoods and Vernons, the two companies that account for most of the market, indicated earlier this month that their revenues were down 10 and 15 per cent respectively.

Mr Terry Yardley, Zetters finance director, said the pools industry had been showing signs of recovery in the first half. The group had launched an intensive cost-cutting programme following the launch of the lottery last November.

Pre-tax profits for the six months to September 30 were up from £421,000 to £690,000 (£1.08m) on turnover up from £10.5m to £11.5m.

Earnings per share increased to 6.9p (4.2p) and the interim

dividend is lifted from 4p to 5p.

The group does not expect pre-tax profits for the full year to be below the £1.02m of the previous year and the total dividend will not be less than the 8.5p paid last time.

RESULTS

Company	Turnover (£m)	Pre-tax profit (£m)	EPS (p)	Dividend (p)	Dividend cover	Yield (%)	Total return (%)
BA	9,226 (873)	328 (292)	23.8 (21.1)	4.8	4.9	8.0	8.0
Bellway	284 (274.4)	17.6 (7.94)	0.67 (0.29)	0.125	0.125	1	1
Bellway	8,03 (678.1)	0.18 (0.46)	1.25 (4.05)	0.02	0.02	-	-
Centraflex Foods	7.57 (2.73)	432 (185)	0.08 (0.07)	0.02	0.02	-	-
Filtronic Comtek	12.1 (3.3)	1.5 (0.438)	3.23 (1.17)	0	0	-	-
Haynes Publishing	11.6 (12.4)	2.15 (2.11)	8.2 (8.1)	4	4	7.7	7.7
Motor World	45.9 (39.4)	4.47 (3.85)	22.8 (23.4)	5.2	5.2	4.7	4.7
Procter & Gamble	1.13 (0.73)	0.254 (0.102)	1.2 (0.5)	0.5	0.5	10.25	10.25
Waters	1.35 (1.23)	0.09 (0.09)	0.45 (0.42)	0.05	0.05	8.5	8.5
Zetters	11.9 (10.7)	0.69 (0.421)	6.9 (4.2)	0	0	-	-
Investment Trusts							
St Andrew	312.7 (324.8)	2.89 (2.71)	0.34 (0.31)	5.4	5.4	8.2	8.2
TSI Smaller Cos	6 mths to Nov 30	193.9 (191.5)	3.61 (4.03)	2.02 (2.26)	1.5	1.5	7.8

Dividends shown net. Figures in brackets are for corresponding period. SUSM stock. After £4.57m restructuring costs.

LVMH
MOET HENNESSY LOUIS VUITTON

REPORTS 17.4% RISE IN 1994 SALES

In 1994, the LVMH Moët Hennessy Louis Vuitton Group recorded preliminary consolidated net sales of FF 28 billion, an increase of 17.4% over the 1993 level.

The major characteristics of 1994 were:

- volume growth in all segments of activity;
- sales growth in all geographical markets;
- recovery in champagne sales;
- higher sales growth in the luggage and perfumes segments than in the wines and spirits activities, confirming the validity of the Group's development strategy;
- a series of successful new product launches: the Taiga line at Louis Vuitton, Tendre Poison and Hydra Star at Parfums Christian Dior, Fleur d'Intérieur at Givenchy, Kashaya de Kenzo, the Bazar line at Christian Lacroix;
- an acceleration of sales growth in the latter part of the year;
- the acquisitions of Guerlain and Kenzo have strengthened the Group's brands, resulting in the world's most prestigious portfolio of premium perfumes;
- a substantial reduction in financial expenses.

By segment of activity, Group sales increased as follows:

In FF million	1993	1994
Champagne and wines	5,444	5,712
Cognac and spirits	5,846	5,983
Luggage and leather goods	5,685	6,716
Perfumes and beauty products	6,128	7,895
Other activities	736	1,866
TOTAL	23,819	27,972

Taking into account these favorable factors, LVMH continues to anticipate net income growth of better than 20% in 1994.

The trends recorded in 1994 should continue into 1995.

The Group's major expectations for 1995 are as follows:

- continued economic growth in the Group's major markets, notably the US and Asia, as well as even clearer improvement in Europe;
- further volume growth across all segments;
- continuation of higher growth rate in perfumes and luggage;
- continued profitability improvements in wines and spirits, particularly in champagne;
- completion of Louis Vuitton's new production facility, which will strengthen its ability to meet growing demand;
- new product launches, particularly at Parfums Christian Dior, Parfums Givenchy, Guerlain and Louis Vuitton;
- exploitation of new synergies among Group companies, notably in distribution, logistics and human resources.

The Group will maintain its strategic focus on internal growth, though selective external growth opportunities will be considered as they arise.

Reflecting all of these elements, the Group has set for itself significant net income growth objectives for 1995.

The LVMH Group's full results for 1994 will be released on March 23, 1995.

LVMH, THE WORLD'S LEADING LUXURY PRODUCTS GROUP

National Bank of Hungary
U.S. \$100,000,000
Floating Rate Notes due 2000

Pursuant to Note conditions, notice is hereby given that for the interest period 30th January, 1995 to 31st July, 1995 (182 days), the following interest rates will apply:

15 YEAR LONG-TERM NOTES

(Coupon No. 21)

Rate per annum: 7 3/4%

Amount per coupon: U.S. \$ 372.85

Payable on: 31st July, 1995

3 YEAR SHORT-TERM NOTES

(Variable Coupon Notes)

Rate not applied at present

(No notes outstanding)



The Long-Term Credit Bank of Japan, Limited
London Branch
Agent Bank

BANKAMERICA CORPORATION

Dutch Guilders 250,000,000

Floating Rate Notes 1996

due 1996

(originally issued by

Security Pacific Corporation)

In accordance with the terms and

conditions of the Notes, notice is

hereby given that for the interest

period from January 31, 1995 to

July 31, 1995 the Rate of Interest

has been fixed at 5.625 per cent

and that the interest payable on the

relevant Interest Payment Date,

July 31, 1995 against Coupon No.

19 in respect of NLG 50,000

nominal of the Notes will be NLG

1,444.08 and in respect of NLG

100,000 nominal of the Notes will

be NLG 2,888.13.

ABN AMRO Bank N.V.

Agent Bank

For the period from January 31, 1995

to April 30, 1995 the Notes will

carry an interest rate of 6 1/2% per

annum with an interest amount of

ECU 1,466.10 per ECU 100,000 Note.

The relevant interest payment date

will be April 30, 1995.

Agent Bank

BANQUE PARIBAS

London Branch

U.S. \$100,000,000

Allied Irish Banks Plc

Subordinated Primary Capital

Perpetual Floating Rate Notes

in accordance with the provisions of

the Notes, notice is hereby given, that

for the three months interest period

from January 31, 1995 to April 30,

1995 the Notes will carry an interest

Rate of 6.8125% per annum. The

interest payable on the relevant

Interest Payment Date April 30,

1995 against Coupon No. 38 will be

U.S. \$104.64 and U.S. \$4,115.88

respectively for Notes of U.S. \$10,000

and U.S. \$250,000.

The sum of U.S. \$104.64 will be

payable per U.S. \$10,000 principal

amount of U.S. \$1,000.00.

By: The Citibank Trust Co., N.A.

London, Agent Bank

January 31, 1995

CHARGE

For the six month period January

31, 1995 to July 31, 1995 the

Notes will carry an interest rate of

6.9375% per annum with an

interest amount of U.S. \$348.80

per U.S. \$10,000 Note payable on

July 31, 1995.

By: Citibank, N.A.

(Issuer Services) Agent Bank

January 31, 1995

CHARGE

For the six month period January

31, 1995 to July 31, 1995 the

Notes will carry an interest rate of</

Late fall in Germany drags down rest of Europe

By Graham Bowley in London and Lisa Branstetter in New York

German government bonds fell in late trading yesterday, dragging other European markets lower.

Bunds opened higher after Friday's rise in US Treasuries but data showing a sharp rise in German import prices, and comments by a Bundesbank economist that the central bank "must remain vigilant" on inflation, soon undermined market sentiment and triggered profit-taking.

"The actual outlook for inflation is not as good as previous weeks' figures have suggested and the market corrected for that today," said Ms Wendy Nuffke, an IBJ International.

Monetary and inflation data last week had heightened speculation that the Bundesbank might revert to a variable rate repo at Thursday's council meeting.

Mr Stefan Schneider, at S.G. Warburg in Frankfurt, said this speculation caused a 50 basis point drop in three-month money market rates last week, with markets anticipating an interest rate of 5% per cent by June, compared with 6 per cent at the beginning of the week.

However, yesterday's disappointing import data pushed expectations higher again, he said. In late trading, the March futures contract on DTB was down 0.26 at 90.37.

In the cash market, the yield

on 10-year bonds fell to 7.38 per cent before rising to 7.44 per cent by the session's close.

UK prices weakened slightly, although the yield spread over Germany narrowed as gilts outperformed.

GOVERNMENT BONDS

hunds. Attention remains focused on Thursday's meeting between the Treasury and the Bank of England.

Short-dated gilts outperformed longer-dated stocks by around 2 basis points as market sentiment "shifted to the view that there will be no base rate rise after Thursday's meet-

ing", according to Mr Brian Plaistowe, at Nomura.

Weaker than expected M0 money supply and leading data provided a further boost to the short-dated end of the market.

Today is the deadline for comments on the Bank of England's consultative paper on the development of an open gilt repo market.

In other European bond markets, yield spreads over Germany widened. In France, the March notional bond contract on Matif settled at 111.4, down 2 basis points, with the spread against German bunds widening to 69 basis points. Dealers said Thursday's OAT auction was weighing on prices.

The long end of the US Treasury market yesterday morning gave back some of the gains made in Friday's rally as investors waited to see what the Federal Reserve would do at the two-day meeting of its Open Market Committee set to begin today.

At midday, the benchmark 30-year Treasury was down 1/8 at 95 1/8 to yield 7.750 per cent. At the short end of the market, the two-year note rose 1/8 to 100 1/8, yielding 7.227 per cent.

The consensus on Wall Street holds that the Fed will raise rates by 50 basis points and inflation will be held in check.

However, some fear of rising inflation was shown to the widening spread between yields on

two-year and 30-year notes, which grew to 52 basis points from 49 points late on Friday. Such a movement is generally interpreted as a signal that the market expects economic growth, but some attributed yesterday's widening to short-covering in the two-year market in preparation for an economic slowing.

Income data released in the morning came in slightly stronger than expected while consumption figures were in line with economists' estimates. The Commerce Department reported that personal income rose by 0.8 per cent in December, compared with expectations closer to 0.6 per cent, and consumption expenditures were up 0.3 per cent.

Emerging market offers delayed

By Corinne Middelmann

Planned international equity issues for a Pakistani cement project and a Philippine shipping company have been postponed amid continuing nervousness over changing the emerging markets.

INTERNATIONAL EQUITY ISSUES

A \$70m offering for Hercules Cement, which was due to be priced yesterday, was pulled as market conditions in Pakistan deteriorated dramatically.

"During the two-week roadshow it became clear that investors liked the company very much, but the markets were against us," said an official with lead manager ABN Amro.

The Pakistan stock index fell by more than 8 per cent last Tuesday and Wednesday. "That was too much to keep people interested," he said.

The issuer and lead manager are now exploring a range of fundraising options to keep the project - a \$210m greenfield project financing for the Nishat Group - on course.

ABN Amro said it does not rule out a return to the equity market if conditions improve. An estimated \$23m to \$25m GDR issue for Pakistan's Synergy Synthetics, via Citibank, has also been pushed back slightly and is not expected to come to the market until late February.

The planned flotation of the Philippines' largest shipping company, William Lines, is another casualty of nervous conditions in the emerging markets.

Its planned \$100m offering, about half of which was to have been sold to international investors, has been postponed until market conditions

improve, said lead manager Baring Brothers.

The decision to delay the deal was taken after roadshows in Hong Kong, Singapore, Edinburgh and London revealed a lack of investor appetite.

"Everyone else they liked the company, but not in the current market environment," said a Baring official.

Philippine IPOs tend to involve a three to four-week delay between the time investors commit to buy the paper and they are able to trade it. "That can be a significant risk in these very volatile markets," said a dealer.

Moreover, a recent issue for the Philippine company Alaska Milk has set a discouraging precedent. Priced in early December at 5.1 pesos a share, it fell as low as 5 pesos in recent weeks and currently trades in the 5.20 pesos to 5.30 pesos range.

While that represents a limited fall against the overall market, it nevertheless provided investors with a further excuse not to buy Philippine shares.

In this environment, many doubt that a larger offering by Pitel, the Philippines telephone company, via Goldman Sachs and Baring will take place in early February as expected.

Another east Asian issue that many dealers do not expect before late February at the earliest is an estimated \$90m offering for Taiwan's GVC Corporation, a computer-related producer, via Goldman Sachs and Carr Indesue.

"Investors are not sure whether to return to the emerging markets," said one syndicate official. "If you don't know where your investors are, you are launching deals with a heavy blind spot."

Czech telecoms group sets loan benchmark

By Nicholas Denton

Spreads on loans to east European borrowers have narrowed dramatically with the latest deal from the Czech Republic.

Telecom, the Czech telecommunications company, has set a new benchmark with a \$100m syndicated loan launched yesterday by Credit Lyonnais of France.

The arranger said the SPT loan would carry an interest rate of 35 basis points over the London interbank rate (Libor).

The spread is much narrower than that on recent loans taken out by borrowers from the Czech Republic and other east European countries.

The interest rate for the SPT loan is well within that for the local banks which pioneered Czech companies' moves on to the syndicated loan market.

Ceskoslovenska Obchodni Banka, Komerční Banka and Investiční Banka, the three

largest Czech commercial banks, have borrowed at 70, 65 and 65 basis points respectively over Libor.

SPT is the first Czech company to tap the international loan markets independently. CBZ, the electrical utility, issued a eurobond last year.

It is believed that the Czech Republic is also considering a syndicated loan in the light of aggressive, but successful pricing of the Republic of Portugal's recent financing.

SPT's loan sets a benchmark, not only for Czech borrowers but for the country's east European neighbours.

Terms have improved for most borrowers as banks have recovered their willingness to lend, but emerging countries like the Czech Republic and Thailand have experienced the most dramatic improvement.

Co-arranger on the SPT deal was Fuji Bank. Bank of America and Westdeutsche Landesbank were also involved.

Subordinated issues take centre stage

By Richard Lapper

Subordinated issues by two financial institutions - Royal Bank of Scotland and Colonial Mutual - were the highlights of a quiet day in the euromarkets yesterday.

The Royal Bank of Scotland re-opened an issue of 20-year subordinated bonds, raising \$100m at an initial issue of \$150m in May 1994.

UBS, the lead manager, reported good demand from UK life insurance companies and other investors interested in the longer end of the yield curve.

The issue, which classifies as lower tier capital for regulatory purposes, was priced at 120 basis points over the 8.75 per cent gilt due 2017 and held its price when freed to trade.

Colonial Finance, the financial subsidiary of Colonial

NEW INTERNATIONAL BOND ISSUES							
Borrower	Amount m.	Coupon (%)	Price	Maturity	Fees und.	Spread bp	Book runner
US DOLLARS							
Colonial Finance(2)	150	(8)	100.00	Feb.2005	und.	-	Goldman Sachs International
STERLING							
Royal Bank of Scotland(2)	100	0.625	97.538(2)	Jun.2018	0.625(2)	+120(94-17) US	Goldman Sachs International
GECC	100	9.00	105.17(2)	Feb.2000	0.23(2)	+20(9-30)	Goldman Sachs International
SWISS FRANKS							
City of Vienna, Tranche 2(2)	150	6.375	102.80	Feb.2000	2.00	-	Credit Suisse
GILDED							
Reitbank Nederland(2)	150	7.50	102.43	Dec.1999	1.875	-	Reitbank Nederland
LUXEMBOURG FRANKS							
Bankparibas (2)	250	7.75	101.85	Apr.1999	1.925	-	Bankparibas
Final terms, non-callable unless stated. Yield spread (over relevant government bonds) at auction supplied by lead manager. Rating-agency note, R: based on offer price, R+ based on any coupon rate. US\$700m launched 17/1/95 via US							

Fixed terms, non-callable unless stated. Yield spread over relevant government bond at launch supplied by lead manager. 2 Basis points over 10-year Libor. 3 Basis points over 10-year Libor. 4 Basis points over 10-year Libor. 5 Basis points over 10-year Libor. 6 Basis points over 10-year Libor. 7 Basis points over 10-year Libor. 8 Basis points over 10-year Libor. 9 Basis points over 10-year Libor. 10 Basis points over 10-year Libor. 11 Basis points over 10-year Libor. 12 Basis points over 10-year Libor. 13 Basis points over 10-year Libor. 14 Basis points over 10-year Libor. 15 Basis points over 10-year Libor. 16 Basis points over 10-year Libor. 17 Basis points over 10-year Libor. 18 Basis points over 10-year Libor. 19 Basis points over 10-year Libor. 20 Basis points over 10-year Libor. 21 Basis points over 10-year Libor. 22 Basis points over 10-year Libor. 23 Basis points over 10-year Libor. 24 Basis points over 10-year Libor. 25 Basis points over 10-year Libor. 26 Basis points over 10-year Libor. 27 Basis points over 10-year 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CURRENCIES AND MONEY

MARKETS REPORT

Mexico worries continue to weigh on the dollar.

Fresh concern about whether the US Congress would pass a Mexican aid package yesterday pushed the dollar to a 1995 low, writes Philip Gault.

The dollar touched DM1.50 at lunchtime in New York, the lowest level since the Federal Reserve intervened to support it last November. It closed at DM1.5119 in London on Friday. It was also weaker against the yen, touching ¥98.13, from Friday's close of ¥98.1.

Concern about the Mexican situation appeared to outweigh the prospect of higher short-term interest rates. The Federal Open Market Committee meets today and tomorrow to discuss US monetary policy. Elsewhere, the same concerns about a US aid package drove the Mexican peso to fresh lows. The peso finished 78 centavos lower in Mexico City, at 63.65 per dollar.

In Europe, both the lira and the French franc remained weak against the D-Mark. The franc finished at FF7.472,

from FF7.473, while the lira closed at L1.069 from L1.060. Sterling closed slightly lower, at DM2.4019 from DM2.4069.

The dollar's woes appeared to be attributable to ongoing market fears that the Fed would allow the Mexican crisis to distract it from "doing the right thing" by the US economy - that is, it would not raise rates sufficiently to curb inflationary pressures.

Mr Mike Rosenberg, managing director of international fixed income research at Merrill Lynch in New York commented: "Over the last three months the dollar has been highly correlated to market expectations about the outlook for short-term interest rates."

■ Pooled in New York

	Jan 30	Jan 29	Jan 28	Jan 27	Jan 26	Jan 25	Jan 24	Jan 23	Jan 22	Jan 21	Jan 20	Jan 19	Jan 18	Jan 17	Jan 16	Jan 15	Jan 14	Jan 13	Jan 12	Jan 11	Jan 10	Jan 9	Jan 8	Jan 7	Jan 6	Jan 5	Jan 4	Jan 3	Jan 2	Jan 1	Dec 31	Dec 30	Dec 29	Dec 28	Dec 27	Dec 26	Dec 25	Dec 24	Dec 23	Dec 22	Dec 21	Dec 20	Dec 19	Dec 18	Dec 17	Dec 16	Dec 15	Dec 14	Dec 13	Dec 12	Dec 11	Dec 10	Dec 9	Dec 8	Dec 7	Dec 6	Dec 5	Dec 4	Dec 3	Dec 2	Dec 1	Nov 30	Nov 29	Nov 28	Nov 27	Nov 26	Nov 25	Nov 24	Nov 23	Nov 22	Nov 21	Nov 20	Nov 19	Nov 18	Nov 17	Nov 16	Nov 15	Nov 14	Nov 13	Nov 12	Nov 11	Nov 10	Nov 9	Nov 8	Nov 7	Nov 6	Nov 5	Nov 4	Nov 3	Nov 2	Nov 1	Oct 31	Oct 30	Oct 29	Oct 28	Oct 27	Oct 26	Oct 25	Oct 24	Oct 23	Oct 22	Oct 21	Oct 20	Oct 19	Oct 18	Oct 17	Oct 16	Oct 15	Oct 14	Oct 13	Oct 12	Oct 11	Oct 10	Oct 9	Oct 8	Oct 7	Oct 6	Oct 5	Oct 4	Oct 3	Oct 2	Oct 1	Sep 30	Sep 29	Sep 28	Sep 27	Sep 26	Sep 25	Sep 24	Sep 23	Sep 22	Sep 21	Sep 20	Sep 19	Sep 18	Sep 17	Sep 16	Sep 15	Sep 14	Sep 13	Sep 12	Sep 11	Sep 10	Sep 9	Sep 8	Sep 7	Sep 6	Sep 5	Sep 4	Sep 3	Sep 2	Sep 1	Aug 31	Aug 30	Aug 29	Aug 28	Aug 27	Aug 26	Aug 25	Aug 24	Aug 23	Aug 22	Aug 21	Aug 20	Aug 19	Aug 18	Aug 17	Aug 16	Aug 15	Aug 14	Aug 13	Aug 12	Aug 11	Aug 10	Aug 9	Aug 8	Aug 7	Aug 6	Aug 5	Aug 4	Aug 3	Aug 2	Aug 1	Jul 31	Jul 30	Jul 29	Jul 28	Jul 27	Jul 26	Jul 25	Jul 24	Jul 23	Jul 22	Jul 21	Jul 20	Jul 19	Jul 18	Jul 17	Jul 16	Jul 15	Jul 14	Jul 13	Jul 12	Jul 11	Jul 10	Jul 9	Jul 8	Jul 7	Jul 6	Jul 5	Jul 4	Jul 3	Jul 2	Jul 1	Jun 30	Jun 29	Jun 28	Jun 27	Jun 26	Jun 25	Jun 24	Jun 23	Jun 22	Jun 21	Jun 20	Jun 19	Jun 18	Jun 17	Jun 16	Jun 15	Jun 14	Jun 13	Jun 12	Jun 11	Jun 10	Jun 9	Jun 8	Jun 7	Jun 6	Jun 5	Jun 4	Jun 3	Jun 2	Jun 1	May 31	May 30	May 29	May 28	May 27	May 26	May 25	May 24	May 23	May 22	May 21	May 20	May 19	May 18	May 17	May 16	May 15	May 14	May 13	May 12	May 11	May 10	May 9	May 8	May 7	May 6	May 5	May 4	May 3	May 2	May 1	Apr 30	Apr 29	Apr 28	Apr 27	Apr 26	Apr 25	Apr 24	Apr 23	Apr 22	Apr 21	Apr 20	Apr 19	Apr 18	Apr 17	Apr 16	Apr 15	Apr 14	Apr 13	Apr 12	Apr 11	Apr 10	Apr 9	Apr 8	Apr 7	Apr 6	Apr 5	Apr 4	Apr 3	Apr 2	Apr 1	Mar 31	Mar 30	Mar 29	Mar 28	Mar 27	Mar 26	Mar 25	Mar 24	Mar 23	Mar 22	Mar 21	Mar 20	Mar 19	Mar 18	Mar 17	Mar 16	Mar 15	Mar 14	Mar 13	Mar 12	Mar 11	Mar 10	Mar 9	Mar 8	Mar 7	Mar 6	Mar 5	Mar 4	Mar 3	Mar 2	Mar 1	Feb 28	Feb 27	Feb 26	Feb 25	Feb 24	Feb 23	Feb 22	Feb 21	Feb 20	Feb 19	Feb 18	Feb 17	Feb 16	Feb 15	Feb 14	Feb 13	Feb 12	Feb 11	Feb 10	Feb 9	Feb 8	Feb 7	Feb 6	Feb 5	Feb 4	Feb 3	Feb 2	Feb 1	Jan 31	Jan 30	Jan 29	Jan 28	Jan 27	Jan 26	Jan 25	Jan 24	Jan 23	Jan 22	Jan 21	Jan 20	Jan 19	Jan 18	Jan 17	Jan 16	Jan 15	Jan 14	Jan 13	Jan 12	Jan 11	Jan 10	Jan 9	Jan 8	Jan 7	Jan 6	Jan 5	Jan 4	Jan 3	Jan 2	Jan 1
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Since the end of December there has been a sharp downward revision of where it sees US short-term rates.

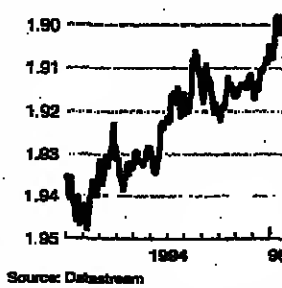
Since the beginning of the year, the price of the June eurodollar contract on Liffe has risen to 92.85 from 91.97 - effectively a 88 basis point downward correction in interest rate expectations, over the past four weeks.

Mr Rosenberg attributed this shift partly to Mexico, and partly to some softer economic data. He said there had also been a shift in interest rate expectations compared to Germany. Those who had previously expected the differential to move in the US's favour now expected little change over the coming year.

Aggravating the dollar's woes, said Mr Rosenberg, was the "capital flight out of European high yielders". This was bolstering the D-Mark. He noted that the dollar normally weakened more against the Swiss franc than the D-Mark,

D-Mark

Against the Euro (DM per Ecu)



Source: Datastream

throughout the system."

The potential problems Mexico poses were underlined by Mr George Soros, the influential financier. He told the World Economic Forum in Davos, Switzerland that there was a "very serious crisis in Mexico." He added: "It now looks as if the \$40bn package is not going to be passed by Congress. I think that could have quite severe repercussions."

President Clinton took a more sanguine line, saying in Washington that he was "optimistic" that Congress would pass the rescue plan. The Republican senate majority leader, Bob Dole, also stressed the importance of the support package, adding that it would not cost the US "a dime".

Although the franc is weak against the D-Mark, analysts noted that it was strong on a trade-weighted basis when account was taken of its cross rate against currencies like the

peseta and the lira.

Mr Joe Prendergast, foreign exchange strategist at Paribas Capital Markets in London, said he did not expect the Bank of France to raise interest rates in response to currency weakness. "With the 15 per cent bands, France has the ability to exploit a more flexible currency policy," said Mr Prendergast.

Analysts said that so long as political uncertainty continued in various European countries, there was little incentive for investors to lighten their long D-Mark positions.

The Bank of England cleared a \$300m market shortage at established rates in its daily operations.

■ OTHER CURRENCIES

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DISCUSSION

[illegible]

Brake Bros.	12
Budgens	12
Calvert	12

Dairy Farm & ...	1	
Payson	1	
Thompson H.	1	
Byrnes H.	1	2
Good	1	
Johnson	1	2
Jackman	1	2
John Lundy	1	2
Kearl	1	2
St W	1	2
Marionville, Red	1	2
Admission (W)	1	2
54000 Ch Pk	1	2
Nurseries & Pk	1	2
Park Pond	1	2
Regina	1	2
Southbury (J)	1	2
Stearns	1	2
Stearns 77 7000 Pk	1	2
Texas	1	2
Chgo 20005	1	2
Therapeutic	1	2
Western & Prep	1	2

RETAILERS.

Alison	Notes
Riders	2
Arctic	2

Aspirin ☐

[illegible]

APPENDIX 2

[illegible]

WATER

[illegible]

8.27	8.9	17.7	Artisan-Busch
236.5	4.4	15.4	BankAmerica

[illegible]

1.29	8.9	4.5	Pennzoil
8.05	3.6	4	Quaker Oats

83.4	20.6	Peq Inc	
83.4	20.6	Peq Inc	
83.2	34.8	Scana, Randolph	
83.7	40.6	Stollwerck Natl	
83.7	40.6	Stollwerck Natl	
84.2		Tenneco	
85.8	64.1	Toshiba	
86.0	64.1	US Steel	
86.7	29.9	Valley	
87.0	29.9	Wm. H. Rindge	
87.4	13.4	Whitpool	
87.8		Woolworth	
2,100	47.8		
2,100	47.8		
22.4	27.3		
136.8	28.1		
136.8	28.1		
32.7	42.3		
78.8			
371.8	21.8		
87.5	28.7		
88.0	15.5		
11.1	32.1		
83.8			

10.7	-	-	Hammer S&P	✓
7.00	3.0	23.8	Hudson's Bay	✓

[illegible]

250.8	5.8	19.1
5.39	16.2	21.8

[illegible]

Rule 2.1(p)(v) Overseas exchange.

[illegible]

Mid Yld. n Forecast, or estimated annualized dividend fee

[illegible]

STOCKS TO EMBARK ON				
Code	Yr	PE	Div	Yld
100	1984	10.0	0.00	0.00
101	1984	10.0	0.00	0.00
102	1984	10.0	0.00	0.00
103	1984	10.0	0.00	0.00
104	1984	10.0	0.00	0.00
105	1984	10.0	0.00	0.00
106	1984	10.0	0.00	0.00
107	1984	10.0	0.00	0.00
108	1984	10.0	0.00	0.00
109	1984	10.0	0.00	0.00
110	1984	10.0	0.00	0.00
111	1984	10.0	0.00	0.00
112	1984	10.0	0.00	0.00
113	1984	10.0	0.00	0.00
114	1984	10.0	0.00	0.00
115	1984	10.0	0.00	0.00
116	1984	10.0	0.00	0.00
117	1984	10.0	0.00	0.00
118	1984	10.0	0.00	0.00
119	1984	10.0	0.00	0.00
120	1984	10.0	0.00	0.00
121	1984	10.0	0.00	0.00
122	1984	10.0	0.00	0.00
123	1984	10.0	0.00	0.00
124	1984	10.0	0.00	0.00
125	1984	10.0	0.00	0.00
126	1984	10.0	0.00	0.00
127	1984	10.0	0.00	0.00
128	1984	10.0	0.00	0.00
129	1984	10.0	0.00	0.00
130	1984	10.0	0.00	0.00
131	1984	10.0	0.00	0.00
132	1984	10.0	0.00	0.00
133	1984	10.0	0.00	0.00
134	1984	10.0	0.00	0.00
135	1984	10.0	0.00	0.00
136	1984	10.0	0.00	0.00
137	1984	10.0	0.00	0.00
138	1984	10.0	0.00	0.00
139	1984	10.0	0.00	0.00
140	1984	10.0	0.00	0.00
141	1984	10.0	0.00	0.00
142	1984	10.0	0.00	0.00
143	1984	10.0	0.00	0.00
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148	1984	10.0	0.00	0.00
149	1984	10.0	0.00	0.00
150	1984	10.0	0.00	0.00
151	1984	10.0	0.00	0.00
152	1984	10.0	0.00	0.00
153	1984	10.0	0.00	0.00
154	1984	10.0	0.00	0.00
155	1984	10.0	0.00	0.00
156	1984	10.0	0.00	0.00
157	1984	10.0	0.00	0.00
158	1984	10.0	0.00	0.00
159	1984	10.0	0.00	0.00
160	1984	10.0	0.00	0.00
161	1984	10.0	0.00	0.00
162	1984	10.0	0.00	0.00
163	1984	10.0	0.00	0.00
164	1984	10.0	0.00	0.00
165	1984	10.0	0.00	0.00
166	1984	10.0	0.00	0.00
167	1984	10.0	0.00	0.00
168	1984	10.0	0.00	0.00
169	1984	10.0	0.00	0.00
170	1984	10.0	0.00	0.00
171	1984	10.0	0.00	0.00
172	1984	10.0	0.00	0.00
173	1984	10.0	0.00	0.00
174	1984	10.0	0.00	0.00
175	1984	10.0	0.00	0.00
176	1984	10.0	0.00	0.00
177	1984	10.0	0.00	0.00
178	1984	10.0	0.00	0.00
179	1984			

[illegible][illegible]

AXA Equity & Low Bid Line Auction Co		
Victory Inn, Prospect Hill, Douglas, Iowa		ONE
Blackwater Farm - Offered	42.5	++
Blackwater Farm - Offered	42.5	++
Blackwater Farm - Offered	42.5	++
Blackwater Farm - Offered	42.5	++

	Selling Price	Buying Price	+ or -	Tax Rate
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ATSP Management Ltd
Philippine Long Term Equity Fund
NAV Dec 87 _____ \$32.41 | ____|



**Brussels resurges
steel plan as aid
for Italy is agreed**

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LONDON STOCK EXCHANGE

MARKET REPORT

Share prices crumble in poor trading volume

By Terry Byland,
UK Stock Markets Editor

Trading in the UK stock market was overshadowed yesterday by prospects for interest rates in the light of meetings today of the US Federal Reserve's Open Market Committee and on Thursday of the UK chancellor of the exchequer and the governor of the Bank of England.

Business in equities was very low in London and, with the recent spate of speculative activity somewhat reduced, the FT-SE 100-share index was content to follow the trend in the Dow Industrial Average. The Footsie lost the 3,000 mark, closing 26.3 down at the day's worst of 2,956.3.

The FOMC meeting, and Thursday's routine meeting between the

UK chancellor and the Bank governor, will set the tone for the markets this week. Analysts in London are resigned to another rise in US interest rates, and also believe that the governor of the Bank may press for higher base rates in the UK.

Shares were on the downside throughout the session, undermined by futures trading and brushing off a steadier trend in government bonds. The overnight gains in Far Eastern markets proved no help in London traders, who remained cautious even before the Dow opened the new session with a fall extending to 20 points in UK hours. There was no response to the UK December MO money supply data.

The FT-SE Mid 250 Index shed 15.9 points to 3,382.3, indicating that private investors, as well as fund managers, were staying out of the

way. The most accurate picture of the day came from the Seag total of 396.4m shares traded, barely half of Friday's number.

Although last week's batch of speculative situations continued to bubble away beneath the surface, most were awaiting further developments and there was less activity in the shares concerned. On Friday, customer, not retail, business in UK equities jumped to 22.23m, one of the highest recent daily figures.

Shares in Wellcome gave ground as bid speculators, as well as the board, busied themselves trying to identify a possible "white knight" prepared to fight Glaxo's \$9m-plus offer, which already has the support of the Wellcome Trust, holder of nearly 40 per cent of the equity.

UK analysts scanned the list of US and European pharmaceutical

groups which might take on such a role. Hoechst, of Germany, was said to be more interested in a US acquisition. There was no response from other suggested names, which included Roche, of Switzerland, and Merck, in the US.

The financial sector, target for widespread takeover speculation last week, calmed down following Friday's rejection of UK bid interest by Dresdner Bank. But sector specialists believe that takeover speculation will return soon.

Further demand for Kingfisher, providing one of the market's few bright spots, reflected strong hints from sector analysts that a group might plan to break itself up following the recent departure of senior board members. This would imply selling of its constituent operations, which include Darty, the French

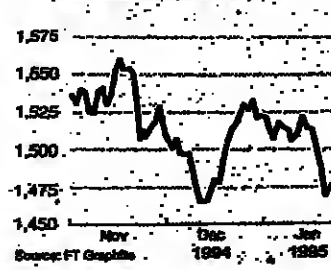
retailer, and Comet, in the UK. At last night's close the shares were still well short of the break-up value quoted by City specialists.

Interest rate-related stocks were easier as investors waited for this week's developments in the UK and the US, but traders said there was no significant selling pressure.

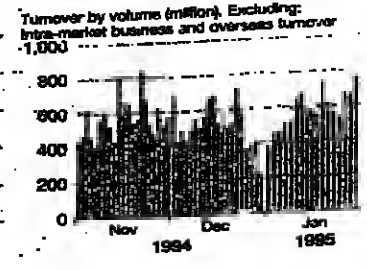
"Investors are simply backing off until after the interest rate outlook clears," commented one trader at a leading international house. The loss of the Footsie 3,000 mark, around which the London market has been trading since mid-September, merely served to confirm the uncertain mood.

Traders commented that the UK market may have already discounted a half-point rise in US interest rates, as well as a further uptick in domestic base rates.

FT-SE A All-Share Index



Equity Shares Traded



Indices and ratios	2956.3	-26.3	FT Ordinary index	2283.3	-21.6
FT-SE 100	2956.3	-26.3	FT-SE A Non First p/e	17.46	(17.60)
FT-SE Mid 250	3382.3	-15.9	FT-SE 100 P/E Dec	2991.0	(38.0)
FT-SE A 350	1498.3	-11.7	10 yr Gilt yield	6.66	(6.67)
FT-SE A All-Share	1483.45	-10.89	Long Gilt/Equity yield ratio	2.12	(2.14)
FT-SE A All-Share yield	4.12	(4.09)			

Best performing sectors

1 Building & Const.	+0.3	1 Banks, Retail	+1.4
2 Retailers, General	+0.3	2 Spirits, Wines & Cld	+1.3
3 Building Metals	+0.2	3 Telecommunications	+1.2
4 Food Producers	+0.0	4 Life Assurance	+1.1
5 FT-SE Pledging	-0.0	5 Gas Distribution	-1.1

Worst performing sectors

1 Banks, Retail	+1.4
2 Spirits, Wines & Cld	+1.3
3 Telecommunications	+1.2
4 Life Assurance	+1.1
5 Gas Distribution	-1.1

FUTURES AND OPTIONS

FT-SE 100 INDEX FUTURES (LFFE) \$25 per full index point	Open	Sett. price	Change	High	Low	Est. vol	Open int.
Mar	3030.0	3030.0	-38.0	3032.0	2986.0	9470	5356
Jun	3000.0	3000.0	-38.0			0	36
Sep	3020.0	3020.0	-38.0				

FT-SE MID 250 INDEX FUTURES (LFFE) £10 per full index point	Open	Sett. price	Change	High	Low	Est. vol	Open int.
Mar	3380.0	3380.0	-15.9			0	3944
Jun	3300.0	3300.0	-15.9				
Sep	3320.0	3320.0	-15.9				

FT-SE 100 INDEX OPTION (LFFE) £2000 £10 per full index point	Open	Sett. price	Change	High	Low	Est. vol	Open int.
Mar	3030.0	3030.0	-38.0			0	3944
Jun	3000.0	3000.0	-38.0				
Sep	3020.0	3020.0	-38.0				

BURST STYLE FT-SE 100 INDEX OPTION (LFFE) £10 per full index point	Open	Sett. price	Change	High	Low	Est. vol	Open int.
Mar	3030.0	3030.0	-38.0			0	3944
Jun	3000.0	3000.0	-38.0				
Sep	3020.0	3020.0	-38.0				

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Jun	3000.0	3000.0	-38.0				
Sep	3020.0	3020.0	-38.0				

FT-SE 100 INDEX OPTION (LFFE) £2000 £10 per full index point	Open	Sett. price	Change	High	Low	Est. vol	Open int.
Mar	3030.0	3030.0	-38.0			0	3944
Jun	3000.0	3000.0	-38.0				
Sep	3020.0	3020.0	-38.0				

BURST STYLE FT-SE 100 INDEX OPTION (LFFE) £10 per full index point	Open	Sett. price	Change	High	Low	Est. vol	Open int.
Mar	3030.0	3030.0	-38.0			0	3944
Jun	3000.0	3000.0	-38.0				
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FT-SE 100 INDEX OPTION (LFFE) £2000 £10 per full index point	Open	Sett. price	Change	High	Low	Est. vol
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+/- High Low Yds P/E +/- High Low Yds P/E +/- High Low Yds P/E +/- High Low Yds P/E +/- High Low Yds P/E +/- High Low Yds P/E

■ TOKYO - MOST ACTIVE STOCKS Monday, January 30, 1995							
	Stocks Traded	Closing Price	Change on day		Stocks Traded	Closing Price	Change on day
Aoid Corp	25.6m	623	+100	Toa Corp	12.4m	883	+16
Obayashi Corp	22.0m	842	+96	Sumitomo Osaka	11.5m	580	+10
Nippon Steel	16.4m	370	+8	Sumitomo Const	10.4m	887	+10

4 pm close January 30

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

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Continued on next page.

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FINANCIAL TIMES

4 pm close January 31

Stock	Ch.	Pr.	Stk.	Hgh.	Low.	Last	Chg.	Stock	Ch.	Pr.	Stk.	Hgh.	Low.	Last	Chg.	Stock	Ch.	Pr.	Stk.	Hgh.	Low.	Last	Chg.
ABSI Ind	0.12	13.210	12	12	12	12	0	Delta Corp	0.17	81.04	42	43	41	41	0	Pyramid	0.00	9.450	15.15	14.15	15.15	14.15	0
Accu D	0.12	17.110	16.15	15.15	15.15	15.15	0	Dynalco	0.06	26.45	23.15	23.15	23.15	0	Q	0.12	15.15	15.15	15.15	15.15	15.15	15.15	0
Accu E	0.12	13.025	13.15	13.15	13.15	13.15	0	Qay Q	0.12	8.486	24.15	21.15	21.15	0	Q	0.12	15.15	15.15	15.15	15.15	15.15	15.15	0
Accu F	0.12	17.110	16.15	15.15	15.15	15.15	0	Qay Q	0.12	8.486	24.15	21.15	21.15	0	Q	0.12	15.15	15.15	15.15	15.15	15.15	15.15	0
Accu G	0.12	13.025	13.15	13.15	13.15	13.15	0	Qay Q	0.12	8.486	24.15	21.15	21.15	0	Q	0.12	15.15	15.15	15.15	15.15	15.15	15.15	0
Accu H	0.12	13.025	13.15	13.15	13.15	13.15	0	Qay Q	0.12	8.486	24.15	21.15	21.15	0	Q	0.12	15.15	15.15	15.15	15.15	15.15	15.15	0
Accu I	0.12	13.025	13.15	13.15	13.15	13.15	0	Qay Q	0.12	8.486	24.15	21.15	21.15	0	Q	0.12	15.15	15.15	15.15	15.15	15.15	15.15	0
Accu J	0.12	13.025	13.15	13.15	13.15	13.15	0	Qay Q	0.12	8.486	24.15	21.15	21.15	0	Q	0.12	15.15	15.15	15.15	15.15	15.15	15.15	0
Accu K	0.12	13.025	13.15	13.15	13.15	13.15	0	Qay Q	0.12	8.486	24.15	21.15	21.15	0	Q	0.12	15.15	15.15	15.15	15.15	15.15	15.15	0
Accu L	0.12	13.025	13.15	13.15	13.15	13.15	0	Qay Q	0.12	8.486	24.15	21.15	21.15	0	Q	0.12	15.15	15.15	15.15	15.15	15.15	15.15	0
Accu M	0.12	13.025	13.15	13.15	13.15	13.15	0	Qay Q	0.12	8.486	24.15	21.15	21.15	0	Q	0.12	15.15	15.15	15.15	15.15	15.15	15.15	0
Accu N	0.12	13.025	13.15	13.15	13.15	13.15	0	Qay Q	0.12	8.486	24.15	21.15	21.15	0	Q	0.12	15.15	15.15	15.15	15.15	15.15	15.15	0
Accu O	0.12	13.025	13.15	13.15	13.15	13.15	0	Qay Q	0.12	8.486	24.15	21.15	21.15	0	Q	0.12	15.15	15.15	15.15	15.15	15.15	15.15	0
Accu P	0.12	13.025	13.15	13.15	13.15	13.15	0	Qay Q	0.12	8.486	24.15	21.15	21.15	0	Q	0.12	15.15	15.15	15.15	15.15	15.15	15.15	0
Accu Q	0.12	13.025	13.15	13.15	13.15	13.15	0	Qay Q	0.12	8.486	24.15	21.15	21.15	0	Q	0.12	15.15	15.15	15.15	15.15	15.15	15.15	0
Accu R	0.12	13.025	13.15	13.15	13.15	13.15	0	Qay Q	0.12	8.486	24.15	21.15	21.15	0	Q	0.12	15.15	15.15	15.15	15.15	15.15	15.15	0
Accu S	0.12	13.025	13.15	13.15	13.15	13.15	0	Qay Q	0.12	8.486	24.15	21.15	21.15	0	Q	0.12	15.15	15.15	15.15	15.15	15.15	15.15	0
Accu T	0.12	13.025	13.15	13.15	13.15	13.15	0	Qay Q	0.12	8.486	24.15	21.15	21.15	0	Q	0.12	15.15	15.15	15.15	15.15	15.15	15.15	0
Accu U	0.12	13.025	13.15	13.15	13.15	13.15	0	Qay Q	0.12	8.486	24.15	21.15	21.15	0	Q	0.12	15.15	15.15	15.15	15.15	15.15	15.15	0
Accu V	0.12	13.025	13.15	13.15	13.15	13.15	0	Qay Q	0.12	8.486	24.15	21.15	21.15	0	Q	0.12	15.15	15.15	15.15	15.15	15.15	15.15	0
Accu W	0.12	13.025	13.15	13.15	13.15	13.15	0	Qay Q	0.12	8.486	24.15	21.15	21.15	0	Q	0.12	15.15	15.15	15.15	15.15	15.15	15.15	0
Accu X	0.12	13.025	13.15	13.15	13.15	13.15	0	Qay Q	0.12	8.486	24.15	21.15	21.15	0	Q	0.12	15.15	15.15	15.15	15.15	15.15	15.15	0
Accu Y	0.12	13.025	13.15	13.15	13.15	13.15	0	Qay Q	0.12	8.486	24.15	21.15	21.15	0	Q	0.12	15.15	15.15	15.15	15.15	15.15	15.15	0
Accu Z	0.12	13.025	13.15	13.15	13.15	13.15	0	Qay Q	0.12	8.486	24.15	21.15	21.15	0	Q	0.12	15.15	15.15	15.15	15.15	15.15	15.15	0
Adams	0.12	13.025	13.15	13.15	13.15	13.15	0	Qay Q	0.12	8.486	24.15	21.15	21.15	0	Q	0.12	15.15	15.15	15.15	15.15	15.15	15.15	0
Adams	0.12	13.025	13.15	13.15	13.15	13.15	0	Qay Q	0.12	8.486	24.15	21.15	21.15	0	Q	0.12	15.15	15.15	15.15	15.15	15.15	15.15	0
Adams	0.12	13.025	13.15	13.15	13.15	13.15	0	Qay Q	0.12	8.486	24.15	21.15	21.15	0	Q	0.12	15.15	15.15	15.15	15.15	15.15	15.15	0
Adams	0.12	13.025	13.15	13.15	13.15	13.15	0	Qay Q	0.12	8.486	24.15	21.15	21.15	0	Q	0.12	15.15	15.15	15.15	15.15	15.15	15.15	0
Adams	0.12	13.025	13.15	13.15	13.15	13.15	0	Qay Q	0.12	8.486	24.15	21.15	21.15	0	Q	0.12	15.15	15.15	15.15	15.15	15.15	15.15	0
Adams	0.12	13.025	13.15	13.15	13.15	13.15	0	Qay Q	0.12	8.486	24.15	21.15	21.15	0	Q	0.12	15.15	15.15	15.15	15.15	15.15	15.15	0
Adams	0.12	13.025	13.15	13.15	13.15	13.15	0	Qay Q	0.12	8.486	24.15	21.15	21.15	0	Q	0.12	15.15	15.15	15.15	15.15	15.15	15.15	0
Adams	0.12	13.025	13.15	13.15	13.15	13.15	0	Qay Q	0.12	8.486	24.15	21.15	21.15	0	Q	0.12	15.15	15.15	15.15	15.15	15.15	15.15	0
Adams	0.12	13.025	13.15	13.15	13.15	13.15	0	Qay Q	0.12	8.486	24.15	21.15	21.15	0	Q	0.12	15.15	15.15	15.15	15.15	15.15	15.15	0
Adams	0.12	13.025	13.15	13.15	13.15	13.15	0	Qay Q	0.12	8.486	24.15	21.15	21.15	0	Q	0.12	15.15	15.15	15.15	15.15	15.15	15.15	0
Adams	0.12	13.025	13.15	13.15	13.15	13.15	0	Qay Q	0.12	8.486	24.15	21.15	21.15	0	Q	0.12	15.15	15.15	15.15	15.15	15.15	15.15	0
Adams	0.12	13.025	13.15	13.15	13.15	13.15	0	Qay Q	0.12	8.486	24.15	21.15	21.15	0	Q	0.12	15.15	15.15	15.15	15.15	15.15	15.15	0
Adams	0.12	13.025	13.15	13.15	13.15	13.15	0	Qay Q	0.12	8.486	24.15	21.15	21.15	0	Q	0.12	15.15	15.15	15.15	15.15	15.15	15.15	0
Adams	0.12	13.025	13.15	13.15	13.15	13.15	0	Qay Q	0.12	8.486	24.15	21.15	21.15	0	Q	0.12	15.15	15.15	15.15	15.15	15.15	15.15	0
Adams	0.12	13.025	13.15	13.15	13.15	13.15	0	Qay Q	0.12	8.486	24.15	21.15	21.15	0	Q	0.12	15.15	15.15	15.15	15.15	15.15	15.15	0
Adams	0.12	13.025	13.15	13.15	13.15	13.15	0	Qay Q	0.12	8.486	24.15	21.15	21.15	0	Q	0.12	15.15	15.15	15.15	15.15	15.15	15.15	0
Adams	0.12	13.025	13.15	13.15	13.15	13.15	0	Qay Q	0.12	8.486	24.15	21.15	21.15	0	Q	0.12	15.15	15.15	15.15	15.15	15.15	15.15	0
Adams	0.12	13.025	13.15	13.15	13.15	13.15	0	Qay Q	0.12	8.486	24.15	21.15	21.15	0	Q	0.12	15.15	15.15	15.15	15.15	15.15	15.15	0
Adams	0.12	13.025	13.15	13.15	13.15	13.15	0	Qay Q	0.12	8.486	24.15	21.15	21.15	0	Q	0.12	15.15	15.15	15.15	15.15	15.15	15.15	0
Adams	0.12	13.025	13.15	13.15	13.15	13.15	0	Qay Q	0.12	8.486	24.15	21.15	21.15	0	Q	0.12	15.15	15.15	15.15	15.15	15.15	15.15	0
Adams	0.12	13.025	13.15	13.15	13.15	13.15	0	Qay Q	0.12	8.486	24.15	21.15	21.15	0	Q	0.12	15.15	15.15	15.15	15.15	15.15	15.15	0
Adams	0.12	13.025	13.15	13.15	13.15	13.15	0	Qay Q	0.12	8.486	24.15	21.15	21.15	0	Q	0.12	15.15	15.15	15.15	15.15	15.15	15.15	0
Adams	0.12	13.025	13.15	13.15	13.15	13.15	0	Qay Q	0.12	8.486	24.15	21.15	21.15	0	Q	0.12	15.15	15.15	15.15	15.15	15.15	15.15	0
Adams	0.12	13.025	13.15	13.15	13.15	13.15	0	Qay Q	0.12	8.486	24.15	21.15	21.15	0	Q	0.12	15.15	15.15	15.15	15.15	15.15	15.15	0
Adams	0.12	13.025	13.15	13.15	13.15	13.15	0	Qay Q	0.12	8.486	24.15	21.15	21.15	0	Q	0.12	15.15	15.15	15.15	15.15	15.15	15.15	0
Adams	0.12	13.025	13.15	13.15	13.15	13.15	0	Qay Q	0.12	8.486	24.15	21.15	21.15	0	Q	0.12	15.15	15.15	15.15	15.15	15.15	15.15	0
Adams	0.12	13.025	13.15	13.15	13.15	13.15	0	Qay Q	0.12	8.486	24.15	21.15	21.15	0	Q	0.12	15.15	15.15	15.15	15.15	15.15	15.15	0
Adams	0.12	13.025	13.15	13.15	13.15	13.15	0	Qay Q	0.12	8.486	24.15	21.15	21.15	0	Q	0.12	15.15	15.15	15.15	15.15	15.15	15.15	0
Adams	0.12	13.025	13.15	13.15	13.15	13.15	0	Qay Q	0.12	8.486	24.15	21.15	21.15	0	Q	0.12	15.15	15.15	15.15	15.15	15.15	15.15	0
Adams	0.12	13.025	13.15	13.15	13.15	13.15	0	Qay Q	0.12	8.486	24.15	21.15	21.15	0	Q	0.12	15.15	15.15	15.15	15.15	15.15	15.15	0
Adams	0.12	13.025	13.15	13.15	13.15	13.15	0	Qay Q	0.12	8.486	24.15	21.15	21.15	0	Q	0.12	15.15	15.15	15.15	15.15	15.15	15.15	0
Adams	0.12	13.025	13.15	13.15	13.15	13.15	0																

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AMERICA Dow moves lower ahead of FOMC

Wall Street

US shares bounced about skittishly in negative territory yesterday morning as investors worried about another interest rate increase ahead of the two-day meeting of the Federal Reserve's Open Market Committee which begins today, writes Lisa Brunsen in New York.

By 1 pm, the Dow Jones Industrial Average had lost 15.51 at 3,838.48. The Standard & Poor's 500 was off 1.32 at 469.07, the American Stock Exchange composite fell 2.75 to 454.00 and the Nasdaq composite lost 4.06 at 754.83. Volume on the NYSE was 181m shares. Consensus on Wall Street held that the Fed would raise interest rates 50 basis points at the FOMC meeting, which put cyclical stocks under pressure. Morgan Stanley's index of cyclical issues lost more than 1 per cent as component shares fell.

Aluminum Company of America lost 3 3/4 at \$37 1/4, Dow Chemical fell 3/4 at \$21 1/4, Georgia Pacific shed 1 1/4 at \$7 3/4 and International Paper was off 1/4 at \$7 1/4.

Adding to the gloom on yesterday's market were statistics from the commerce department showing personal income for December up by a higher-than-expected 0.8 per cent, while consumer spending gained only 0.3 per cent.

American Depository Receipts of Texaco fell to a 12-month low as investors showed

nervousness about whether Congress would approve a package to help Mexico through its financial crisis. The telecommunications monopoly lost 1 1/4 at \$31 1/4, and was the most actively traded issue on the NYSE through the morning.

Three other Latin ADRs among the 20 most active shares were Mexico's Grupo Televisa, down 3/4 at \$19 1/4, Empresas ICA, off 3/4 at \$7 1/4, and Argentina's YPF, the privatised oil and gas company, which lost 1/4 at \$19 1/4.

Shares in Promus jumped 3 1/4 at \$38 1/4 after the hotel and casino company said it would spin off its hotel business into a separate, publicly-traded company.

Shares were mixed for the subsidiaries of General Motors reporting results yesterday. GM Hughes lost 3/4 at \$35 after reporting earnings slightly ahead of analyst expectations and GM EDS was up 3/4 at \$38 1/4 after putting out earnings in line with expectations.

Canada

Toronto was lower at midday, extending earlier losses after sharp declines in heavily weighted metal stocks, while interest rate worries ahead of the US FOMC meeting also weighed on equities.

The TSE 300 composite index was down 36.91 to 4,005.92 by noon in volume of 24.2m shares. The metals group sank 100.11 to 3,920.57 on weak metal prices.

Mexico, Brazil fall

Mexican equities fell heavily in early trade amid uncertainty about whether a \$40bn US aid package for the country would be ratified. With the peso also extending its opening fall against the dollar and unconfirmed rumours of a sharp decline in Mexico's international reserves, the IPC index was off 33.52 or 2.7 per cent at 1,904.39 by midsession, having earlier touched 1,885.

In the US a senior Republican senator said that the proposed \$40bn rescue package stood a "decent chance" of passing Congress, but stopped short of predicting victory.

President Bill Clinton had been in touch with Congress in an appeal to get the bill debated later yesterday.

● **BRAZIL:** In São Paulo, equities were weaker by midday on worries over the passage of the US aid package. The Bovespa index had declined 2,463 or 6.5 per cent to 35,375, up from a low of 34,231.

Analysts said the sell-off was triggered by remarks by some US Senators saying that President Bill Clinton was not doing enough to sell his aid plan, combined with polls showing strong public opposition in the US to the package.

EUROPE

Bourses subdued by American considerations

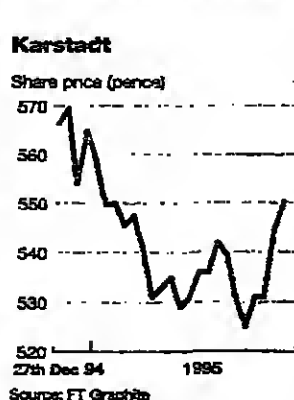
Bourses were cowed by American considerations, writes Our Markets Staff.

Today's Federal Open Market Committee meeting in Washington encouraged early inactivity, and concern over the Mexican rescue package made its impact later as Wall Street lost ground.

FRANKFURT finished at its low for the day, the Dax index closing the post-bourse at 2,026.88 after a session gain of 3.33 at 2,035.03.

Turnover fell from DM5.9bn to DM5.1bn. KHD's problems, which soured the market last Friday, were manifest in a DM60m net loss for 1994 and the engineer's need for a financial rescue operation. But the shares stayed suspended and Deutsche Bank KHD's highest shareholder with outside estimates of its exposure running at DM500m, actually rose DM1.10 to DM60.80.

The day's high winners included the retail sector, where Douglas rose DM6.00 to DM44.20 and Karstadt DM30 to DM55.00 just three weeks after a savage earnings downgrade by DB Research. Mr Glen Liddy of Kleinwort Benson said KB was still quite cautious about the outlook for retailers, concen-



trating on this year's difficulties instead of potential recovery in 1995.

In utilities, Viag advanced DM7 to DM495.50. The company might be getting its second wind, said Mr Liddy, again three weeks after it rose in response to a joint attack, with BT, of the UK, on the German telecommunications market.

PARIS moved in a narrow range in light turnover, the CAC-40 index closing 0.70 lower at 1,813.43.

In the automotive sector there was high volume in Michelin, which lost FF1.50 at

FF204.50, while Peugeot dipped FF7 to FF701 and Valeo FF4.20 to FF248.80; Renault managed an 80-cent rise to FF171.80.

Two contrasting opinions on Michelin were published in the last few days. Paribas recommended the tyre group as a buy given the high level of sales in 1994 and good prospects for the months ahead. It said that the stock was undervalued, having underperformed the CAC-40 index by some 13 per cent since the beginning of July. "The 1996 p/e of 7.3 times is still significantly below a normal, top of the cycle p/e of around 10 times, suggesting a potential upside of around 20 per cent relative to the market."

Among non-CAC 40 stocks, Eridania Béghin-Say, the Franco-Italian agri-industrial group, put on FF19 or 3.7 per cent at FF708, helped by buying ahead of its 1994 results. Hoare Govett noted that while the results were likely to be flat, the group should see a return to "sustained earnings growth of around 10 per cent over the next two fiscal years."

MILAN was still unsure whether the new government has the necessary support for its planned reforms. The Comit index shed 3.27 to 682.44.

Montedison fell L39 to L1.27 in heavy volume of 47.8m shares and its parent, Ferruzzi Finanziaria, by L15 to L1.201 after Montedison said at a presentation to fund managers on Friday that the two had no plans for a merger. Montedison also forecast a flat net result after minorities for 1994, which was below expectations.

FT-SE Actuaries Share Indices

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Actuaries 100	1304.33	1306.22	1304.80	1304.07	1304.08	1304.57	1304.02	1304.04
FT-SE Actuaries 200	1306.78	1306.55	1305.94	1304.29	1303.42	1303.41	1302.88	1303.04

FT-SE Actuaries 100	FT-SE Actuaries 200	Index 100	Index 200	Index 100	Index 200	Index 100	Index 200
1307.22	1308.10	1304.51	1308.32	1301.82	1301.82	1301.82	1301.82
1307.19	1308.04	1306.17	1303.78	1303.78	1303.78	1303.78	1303.78

Industry, in the words of a competitor, has 'its back to the wall', and we see no reason for this to change in the near term."

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Olivetti turned back from an early high of 12.070 to finish L17 lower at L2.011, with the early boost coming in response to the denial that a capital increase was planned. Repeated rumours last week that one was on the way helped to knock 5 per cent off Olivetti's share price, but on Friday, Omnitel, its partly owned mobile telephone company, said it planned to raise some L1,600m in loans.

Fiat finished L17 lower at L6.532, off a high of L6.620. Mr Gianni Agnelli's annual letter to shareholders, giving a broad outline of the past financial

year, is due on Thursday. ZURICH was easier in slack trade, the SMI index falling 8.4 to 2,540.2. Among cyclical, Georg Fischer added SF750 at SF1,495 on a buy recommendation by Bank Vontobel, which was also said to be a buyer of the stock.

Oerlikon-Bührle, which released higher 1994 sales figures after the bourse closed, but said that it had not yet decided whether to resume the dividend, was down SF1.50 at SF137.50.

AMSTERDAM barely moved, the AEX index finishing off 0.61 at 411.55. Unilever continued to perform, climbing F11.10 to F201.50.

BUDAPEST hit an 18-month low on the weekend resignation of Hungary's finance minister Mr Laszlo Bekesi, the Bux index closing 69.41 or 5.5 per cent lower at 1,183.45.

WARSAW dropped to new 1994-95 lows for the second session running, the WIG index losing 120.9 or 1.3 per cent at 6,462.1 as turnover, ominously, increased by 43 per cent to 30.7m zlotys.

Written and edited by William Cochrane, John Pitt and Michael Morgan

ASIA PACIFIC

Nikkei surges 3.6% after Sumitomo Bank write-offs

Tokyo

Last Friday's bad debt write-offs by Sumitomo Bank gave a psychological boost to investor confidence and the Nikkei index surged 3.6 per cent on active buying, writes Emiko Terazono in Tokyo.

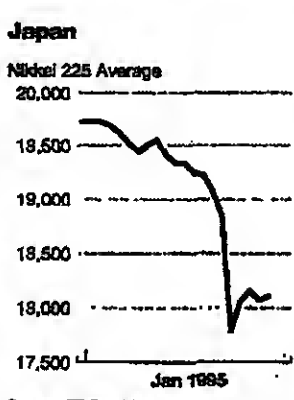
The 225 average rose 648.53 to 18,752.88 in volume of 650m shares, the largest since June last year. Sumitomo Bank advanced Y270 to Y1,880 and prompted broadly based buying of financial stocks, while individuals continued to purchase shares linked to the "reconstruction of Kobe" theme.

The index opened at the day's low of 18,137.27 and jumped to a high of 18,818.51 in the early afternoon. While overseas profit-taking eroded some of the gains, buying by domestic investors supported share prices throughout the day.

The Topix index of all first section stocks moved ahead 33.63 or 0.8 per cent to 1,486.46 and the Nikkei 300 added 10.94 or 4.2 per cent at 289.54. Gainers overwhelmed losers by 640 to 242, while 95 issues were unchanged.

London dealings extended Tokyo's bumper returns, the ISE/Nikkei 50 index rising another 17.87 or 1.5 per cent to 1,222.81. The advance, said dealers, pointed to a 300-point gain in Tokyo today.

Short-covering in banks prompted a surge in financials. Reports that Sumitomo would write off Y300bn in bad loans and post a loss for the current year, the first ever for a Japanese bank in the post Second World War era, indicated a shift in the bank's method of dealing with the problem.



investors, expecting other banks to follow suit, bought across the whole sector.

Mitsubishi Bank appreciated Y280 to Y2,370 and Industrial Bank of Japan climbed Y300 to Y2,580. Buying spread to the property sector on hopes of a faster resolution of the bad loan problems at the banks.

Mitsui Fudosan rose Y101 to Y1,060 and Sumitomo Realty and Development added Y100 at Y645.

Meanwhile, individual investors continued to purchase stocks related to the rebuilding of infrastructure and houses in the areas damaged by the Kobe earthquake. Construction, steel, and cement stocks led activity. Aoid, the most active issue of the day, jumped Y100 to Y623, Obayashi gained Y96 at Y842 and Nippon Steel rose Y8 to Y370.

Misawa Homes, the prefabricated housing maker, put on Y200 at Y1,550 on reports that due to the light weight of their walls, none of the company's steel structured prefabricated houses in the Kobe region were damaged by the earthquake. Taisei Prefab Construction

moved forward Y200 to Y1,330. In Osaka, the OSE average rose 523.34 to 20,678.34 in volume of 129.8m shares.

Roundup

Activity in the region was generally muted ahead of this week's Chinese new year holiday and the meeting of the US FOMC today.

SINGAPORE finished its holiday shortened trading day on a strong note, encouraged by Tokyo's rally. The Straits Times industrial index closed 48.36 or 2.4 per cent higher at 2,063.36, the rise exaggerated by a thin market.

Singapore Press foreign shares rose S\$2.10 to S\$24.90 and SIA by 70 cents to S\$8.80. Promet, the Malaysian engineering group, gained 9 cents at S\$1.22 in active business after the company announced

that it had won a \$68m pipeline deal in Pakistan.

HONG KONG closed an abbreviated session higher, although investors were cautious ahead of the holidays. The Hang Seng index rose 45.53 to 7,342.65, having earlier overcome a near 30-point loss.

SYDNEY closed broadly lower on selling of resource issues because of lower metal prices. The All Ordinaries index lost 6.9 at 1,856.7 in light trading, with an estimated A\$200m of stock traded.

Friday's fall in the price of gold, along with other base metal prices such as copper, prompted selling of leading mining issues from the start of trading. The golds index retreated 2 per cent.

NAB eased 8 cents to A\$10.40 as some brokers recommended switching to other stocks in the banking sector. ANZ

firmly 7 cents to A\$4.21 and Westpac 3 cents to A\$1.53.

WELLINGTON saw a strong performance by Telecom, up 14 cents at NZ\$5.49, lift the market for the third consecutive session. The NZSE-40 index gained 29.14 at 1,965.02 in modest turnover of NZ\$23.6m.

Brokers believed that interest in Telecom came ahead of the publication of its results early next month.

BANGKOK's turnover of Bt1.74bn was the lowest since April 1993 as the SET index put on 11.01 at 1,225.79 on institutional, largely domestic, blue chip buying. Last week the SEC approved three new funds with an initial combined value of B\$5.6bn, in an effort to offset weakness in the equity market.

KARACHI was lifted above the 1,800 level on the KSE 100-share index by short-covering among speculative stocks. The index rose 18.16 or 1 per cent to 1,802.56.

Local brokers remarked that, in spite of the rise, sentiment remained weak.

MANILA firmed on buying of major issues and the composite index ended 15.68 higher at 2,419.64.

The commercial-industrial sector, led by bank stocks, was the most active of the sub-indices. Turnover thinned to 640.4m pesos from 1,160m pesos. BOMBAY saw renewed demand by domestic mutual funds, two days after the government lifted its ban on futures and options trading, and the BSE-30 index climbed 69.98 or 2 per cent to 3,575.79.

Brokers said foreign mutual funds had toned down their selling pressure and they forecast that the index was likely to recover a further 50 to 70 points in the next two days.

MARKETS IN PERSPECTIVE

	% change in local currency			% change in US \$	% change in US \$	
	1 Week	4 Weeks	1 Year	Start of 1984	Start of 1984	
Austria	-0.03	-6.43	-19.94	-17.30	-11.91	-5.20
Belgium	-0.27	-1.87	-12.21	-10.62	-3.70	+3.37
Denmark	-0.31	-1.54	-16.94	-10.18	-5.03	-2.20
Finland	-1.73	-0.03	+6.88	+23.50	+40.72	+51.42
France	-0.04	-3.48	-20.47	-18.92	-15.23	-8.78
Germany	-1.37	-4.19	-7.58	-12.81	-6.73	+0.37
Ireland	+1.09	+0.16	-3.32	+1.77	-8.61	+13.65
Italy	-1.12	-4.99	-6.07	+3.21	+16.83	+18.83
Netherlands	+1.24	-0.09	-4.56	-2.77	+3.55	+11.43
Norway	+1.75	-2.21	-5.36	+4.36	+10.10	+18.48
Spain	+0.95	-1.05	-19.22	-13.70	-12.89	-6.26
Sweden	+0.20	+3.22	+0.38	+8.34	+12.71	+21.29
Switzerland	-1.18	-3.39	-16.43	-12.18	-4.68	+2.69
UK	-0.86	-1.56	-12.61	-11.55	-11.55	-8.82
EUROPE	+0.01	-1.68	-11.89	-10.29	-7.30	-0.34
Australia	-0.45	-1.99	-14.31	-11.79	-7.81	-0.90
Hong Kong	-0.32	-10.96	-38.09	-40.58	-44.82	-61.82
Japan	-3.48	-8.94	-8.57	-2.90	+1.63	+8.35
Malaysia	-0.91	-12.48	-20.20	-32.77	-34.19	-28.18
New Zealand	-0.36	+3.03	-10.72	-6.59	-0.95	+6.91
Singapore	+1.19	-10.39	-10.32	-17.58	-15.10	-8.64
Canada	-1.39	-8.61	-5.32	-2.70	-15.38	-8.94
USA	+1.29	-2.62	-0.70	+1.45	-3.72	+1.46
Mexico	-5.28	-15.42	-22.67	-20.46	-53.18	-56.08
South Africa	-4.86	-13.50	+6.08	+3.56	+1.93	+9.69
WORLD INDEX	-0.67	-3.35	-7.76	-5.37	-6.48	-0.63

† Based on January 27, 1995. Copyright, The Financial Times Limited, London, South Africa & Co. and Wall Street Journal.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

	US Dollar Index	Day's Change	1 Week	4 Weeks	1 Year	Start of 1994	Start of 1995	Start of 1996
Australia (68)	166.37	0.3	153.99	103.99	123.98	144.24	0.6	4.00
Austria (16)	178.37	0.2	163.30	109.88	137.84	137.73	-0.1	1.18
Belgium (59)	168.53	0.4	156.96	105.52	132.49	129.61	0.2	4.28
Brussels (28)	143.31	-3.2	133.45	89.77	112.64	222.77	-3.0	1.01
Canada (103)	123.55	-1.4	115.14	77.46	97.19	126.98	-1.2	2.73
Denmark (23)	280.84	1.2	286.26	159.29	198.58	205.20	1.1	1.45
Finland (24)	180.51	-0.6	149.47	100.56	126.16	132.14	-0.4	3.25
France (59)	140.78	0.2	131.08	88.18	110.94	110.94	0.4	1.86
Germany (59)	290.53	0.4	270.56	182.03	221.37	288.44	0.4	4.34
Hong Kong (59)	210.50	-0.4	196.02	131.88	165.46	188.45	-0.3	3.32
Ireland (16)	80.17	-0.3	74.66	50.22	63.02	96.77	-0.2	1.82
Italy (59)	142.30	0.1	132.52	99.14	111.88	89.14	-0.2	0.85
Japan (49)	141.50	-0.4	390.09	262.41	329.27	412.61	0.4	2.04
Malaysia (27)	104.78	-1.6	97.81	65.98	82.34	64.93	-2.8	1.59
Mexico (19)	221.87	0.7	208.92	138.88	174.40	171.81	0.6	3.37
Netherlands (19)	75.50	1.2	61.51	45.48	57.07	60.21	1.4	4.95
New Zealand (24)	212.83	1.0	198.19	133.32	167.29	191.38	0.9	1.81
Norway (23)	336.78	1.9	312.98	210.32	260.33	224.90	1.8	1.91
Portugal (59)	263.04	0.8	272.68	183.27	230.34	299.40	-1.1	4.28
Singapore (14)	130.63	0.3	121.64	81.83	102.81	130.21	0.2	4.45
Spain (28)	238.17	0.5	221.79	148.13	187.21	202.53	0.3	1.49
Sweden (16)	184.29	0.0	152.97	102.91	135.19	125.38	-0.3	1.88